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Financial Management

TOUGH LUCK

—but for one man's persistence

THE Senior Partner looked discouraged. "And just when we had stocked up heavily to take care of the holiday trade! Whether the police locate the stolen merchandise or not, we need new stock at once."

"Right," agreed the Junior Partner, cheerfully, "and mighty lucky for us that the replacement cost doesn't come out of the firm! Thanks to *one man's* persistence, we don't lose. That policy he sold us covers the cost of re-stocking, as well as damages to the premises. Without that burglary policy we would have had to borrow to replenish our stock."

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Financial Management

Contents for NOVEMBER, 1936

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Guarding the nation's profits

There is much truth in the old adage that it is more difficult to save money than to make money. In our zeal for new production peaks and large volume distribution many have not realized that until the goods are paid for the transaction is not a profitable one. Large production and large distribution mean little unless supported by sound credit.

There are still those in industry who think of their credit department in negative terms. The credit department is and should be a positive department. It should be the most potent influence for business development in any organization. The credit department, in the final analysis, is the guardian of the profits of the business. And profits, let it be emphasized, are only potential profits until they are completely realized.

The modern credit manager does more than merely reduce losses and collect accounts. He analyzes conditions in his customers' territories; he appraises his customer; he develops a complete picture of his customer's credit habits through the use of the Credit Interchange report, for to the progressive credit manager, his Credit Interchange report is a living, breathing document.

The modern credit manager is vitally interested in legislation. He knows his guardianship of profits depends upon sound credit legislation. He knows also that from the moment he assumes the position of credit manager of his company he has enrolled in a practical university from which he will never graduate. To keep abreast of the times he constantly educates himself. He is thus a vital force in the erection of standards against unsound credit legislation, an architect planning and building sound credit structures.

Because of the importance of the credit executive and the credit department in business, because of the great need of guarding the nation's profits, our National Association of Credit Men is renewing its pledge in sponsoring a program for the development of sounder credit in this, its fortieth year since its founding in Toledo in 1896.

Betterment of credit practices is a challenge to every credit man. We know from experience that this challenge will be met successfully.

Executive Manager, N.A.C.M.

Your customer

How can you best serve him?

by J. F. MOWREY, Asst. Secretary, McKesson-Duff Division, McKesson & Robbins, Inc., Chattanooga, Tenn.

The word "serve" is chosen deliberately in the caption of this discussion. The customer is an independent retail druggist and the writer is Credit Manager for a medium-sized service wholesale druggist. A relationship similar to a partnership exists between the wholesaler and the retailer. Certainly the wholesaler cannot exist without the support of the retailer. Neither can the average independent drug store operate without the services of some wholesale druggist. Broadly speaking, whatever is best for the retailer is in the long run best for the wholesaler. The problem of one becomes the problem of the other.

It is an easy matter to enumerate ways the sales department can serve the customer. Today as never before tested selling aids such as eye appealing merchandise, window displays, open display fixtures, streamers, broadsides and sales manuals are available.

But the question of how the Credit Department can render an equally valuable service has too long been overlooked. The Credit Manager has too long been regarded as having horns instead of a heart; his department has in many cases been regarded as a necessary evil, instead of a vital constructive force enthusiastically working for the mutual best interest of the house and customer.

There are certain definite ways the Credit Manager can make his department one of real service. By doing so he will build good will for his house, enrich his own experience and knowledge, and sow seed that will tend to make a more successful, and therefore a more valuable customer. To accomplish this he should know the customer personally, and there should be mutual confidence and respect. The Credit Manager should have a working knowledge of accounting coupled with a lot of good common horse sense.

In outlining activities of this kind it is necessary to consider the customers individually rather than as a group. Here is where a personal acquaintance is valuable. It is possible and practical to serve a customer who is taking on the responsibility of operating a store of his own for the first time, by helping him install proper accounting records. But a customer who has proven himself a successful operator over a period of years would likely have less need for this service.

One customer will appreciate and use a certain service, where another will not consider it. One will take the Credit Manager into his confidence regarding his financial affairs and problems, where another will resent any attempt to discuss matters of this nature. This is all entirely natural, as each customer is a different personality. To successfully serve them and his company to the fullest extent the Credit Manager must be a student of human nature.

The customer—how can I best serve him? If he is a young man going in business for himself for the first time, he naturally has much to learn. He may be an excellent pharmacist, but may know little about sound business principles. He is anxious to operate successfully. It is the Credit Manager's duty to help him install a simple yet adequate accounting system.

As a rule the druggist is no more an accountant than the Credit Manager is a pharmacist. The question of operating expenses should be covered thoroughly. From the proceeds of each dollar sale the customer will use about 68 cents to replace the merchandise sold, leaving 32 cents for operating expenses and net profit. The operating expenses should not exceed 25 cents leaving 7¢ or 7% net profit. The operating expenses should be divided approximately as follows: rent 4%; salaries including that of proprietor 16%; all other expense 5%. All of this is elementary, but tremendously important to the beginner in drug store operation.

The matter of proper accounting systems is also of much interest to many established stores. The Credit Manager should prepare or obtain a supply of simple but practical manuals on retail drug store accounting, to be supplied the customer on request. Further, he should visit the customer personally and see that the system is understood, and if necessary help install it.

The customer—how can I best serve him? Does the customer ever overbuy? Sometimes he does. If a customer has an adequate stock of goods, and is confining (*Continued on page* 35)

and your firm

How well do you know him?

by C. W. MARTIN, Credit Manager, Weyenberg Shoe Manufacturing Co., Portland, Oregon

YOUR CUSTOMER AND YOU

How well do you know him?
How well do you know yourself?
What kind of a fellow is he?
What kind of a fellow are you?

These four questions are vital and should be taken seriously into consideration by every man handling credits.

We so often tear our customers all to pieces and neglect to see if the other side of the slate is clean. In other words, are you just a little bit more human than is your customer? You should be if you are not—It will make your work much easier and your every day life a lot happier.

I make it a solemn practice never to send out a monthly statement that I don't look for a payment which has come in during the past month. This payment is checked with a spear and the words "Thank you very much" in my own handwriting. Very often that same statement comes back to me with another check and a "thank you" in the customer's handwriting. That's cooperation.

Received a letter from one of our customers the other day—one who is in the habit of not answering his mail—especially when it is a request for money. He said in part: "I wasn't offended at what you said for I knew that every word of it was true, and it was so written that I just couldn't get mad. Here's $25.00 on account and I promise to do better in the future."—*And he is doing just that.*

Shortly after the first of the year I sent a letter out to the trade asking for financial and operating statements. Over 50% of these statements were returned completed in full. Here is the letter:

Dear Sir:

"The wheel of fortune spins—
'round and 'round it goes,
And where it will stop—
nobody knows."

This familiar phrase has become nationally known, and how true it is. The year 1935 had its headaches and its bright spots, especially in business—but that is all history now. Some made a profit—*we hope*—Most of us don't know, and all of us will have to resort to a recapitulation of the year's activities in order to find out.

If you have never before made an analysis of your business—do it now. It will reveal to you many hidden secrets. It will divulge weak spots and bright spots—You will be able to fortify yourself against the weak spots, and you will capitalize on the bright ones. It will tell you whether or not you paid too much rent. It may reveal the fact that your advertising was more than 5% of your sales—and it will probably show you your mark-up was not enough. Believe me, it will show you many things.

And, by the way, I would like to have a copy of that financial report and operating statement. I like to analyze them. Maybe I can be of help to you somewhere along the line—and listen, I won't tell a soul what it contains—Just want to compare it with previous statements and then it will go right into my file where it will remain—an up-to-date addition to the history of your firm.

I am sending with this letter one of our convenient blank forms. Will you please fill it out—fold it up—seal it and send it on its way to me? It is all stamped and addressed.

And now, I want to thank you! Thank you for this report—Thank you for last year's business—we all appreciated this. Thank you for your cooperation during 1935, and thank you for the anticipated orders in 1936.

Kindest regards and best wishes for a banner 1936!

Yours, very truly,

These statements as they are received are analyzed and comments of a constructive nature made to the customer. Sometimes there is a back-fire and I find myself in a friendly argument—all of which brings me in closer touch with my customer.

The other day a letter came from one of our accounts who owes us money well into four figures. He said in part:—"Sorry we can't send you a check this month but must pay our bank." My reply was as follows:—"We are sorry too, as we consider ourselves better than the banker, in that your account has not been charged with any interest for the extra time taken." Back he comes with this reply:—"You are absolutely right in everything you say. Here's $500.00, and more will be sent before March 1st." We got it, too!

That personal "touch" with a customer is the biggest asset a credit man can have. Where I can call on him, I do so. When this is not possible, then I "fiddle" around until my file contains all sorts of information—his habits—his hobbies—little things about his home life and if he goes to church.

We have one customer who loves to fish. Ever so often my letter to him starts out with a fish story. Maybe a new hole that I discovered, or about the fish I almost caught.

Then, there is another one down in California that owns stocks of various kinds. I watch (*Continued on page* 39)

Tests of

by HARVEY W. HUEGY, University of Illinois.

(Last month Mr. Huegy discussed "The guides to action" in the first of two articles on tests of credit management)

BAD DEBT LOSSES: The test which was first developed and is still most generally used is the proportion of bad debt losses to sales. There is no uniformity in the calculation of this proportion. By some firms it is calculated as a percentage of bad debts to total sales, by other firms as a percentage of bad debts to credit sales.

There is no uniform practice as to the time when an account shall be classified as bad and thus another variable is introduced into the calculation. Some firms leave it to the discretion of some official to decide when an account shall be called bad, others so classify accounts after the passage of some definite time without payment, others after the occurrence of some definite act; as the return of an unsatisfied judgment, a notice of bankruptcy, or similar event.

It would seem that if the calculation is to have any meaning it should be based on the proportion of losses on bad debts relative to credit sales calculated over the same period of time. To make the calculation on the basis of total sales allows for variance in the proportion arising from changes in the proportion of sales for cash and sales on account. Thus when sales for cash are increasing while credit sales are remaining stationary the base on which the proportion is calculated will increase and cause a more favorable apparent showing than is justified, while the reverse situation would result in a less favorable showing than justified.

Just when an account should be called bad and charged off seems to necessarily call for some element of discretion and judgment, but it would seem that the fixing of an arbitrary time element would help to make for definiteness and avoid the temptation to defer the acknowledgment of losses until a favorable time.

The acceptance of this test as a criterion of credit department operations rests on the assumption that failure to pay as agreed is evidence of a mistake on the part of the credit department. It may also be evidence of a mistake on the part of the debtor. Certainly among those debtors who have the will to pay, failure to pay is evidence of an overoptimistic calculation of ability to pay. Thus errors of both debtors and creditors are revealed by this test.

Too implicit reliance on the test of the bad debt losses by the credit department is dangerous since it overemphasizes caution in crediting. Striving for a favorable record in respect to losses, the credit department may become over strict in its requirements and refuse profitable business. In the proper interpretation of this test a policy should be developed which seeks to hold the proportion within the normal limits. Too low bad debt losses would show excessive restriction of credit and too high bad debt losses would show undue laxity in credit acceptance. These normal limits would be determined, for each firm, on the basis of the profit margin on which it works.

An illustration of the fixing of the margin could be drawn from the insurance field. The attempt is not to avoid all losses, but to hold the underwriting to the normal loss point by underwriting each risk in such fashion as to make certain that the profit margin is greater than the probability of loss.

Proper interpretation of the figures for bad debt losses would require a comparison between the current year's business, business for previous periods, and results secured by other firms operating under similar conditions. Data for comparison with other firms is becoming increasingly available as a result of the statistical work of the government and the credit accociations.

The interpretation of bad debts loss proportions from the standpoint of the firm's own objectives has been previously discussed. Less attention has been given to this as evidence of errors on the part of the debtor. Assuming that credit has been accepted only from debtors who intended to pay (an assumption which is probably true in over 90% of the cases) failure to pay as agreed means that the debtor has also been disappointed. Most sympathy concerning bad debt losses has gone to the creditors, the debtor, however, is also deserving of some consideration. If the debtor is a business man it means that his use of capital has not been as productive as he anticipated and that his initial investment has been lost.

This is both a personal and a social loss. It means the debtor has secured capital which has been embodied in unproductive forms. This has deprived society of the maximum return from the use of capital. The debtor has also put labor, time, and energy into a venture which yielded no fruits. The same labor, time, and energy directed into a fruitful activity would have benefited both debtor and society.

If the debtor is an individual it means that his forecast of pleasures to be derived from an expenditure are not realized because of the hopeless efforts to pay debts beyond his ca-

credit management

pacity. This being the case the goods secured did not yield satisfactions equal to their cost. In the effort to pay for these goods income was diverted from other channels of expenditure which would have yielded greater satisfactions.

In either event there is an accumulation of social disutility rather than utility. In other words the venture has not been socially productive. Furthermore the losses suffered by the failure to pay may mean disturbance of the business equilibrium. If an accumulation of such losses becomes serious and concentrated upon one firm it may result in failure of the creditor firm with consequent losses to other firms. Thus the incidence of the loss is spread with resultant shock to the entire business and economic community. Repercussions spread to all points of the business and social community as a widening ripple covers a pond. Accumulation of such shocks in point of time result in even more serious consequences and aggravation of the situation when, in the proper conjuncture with other situations, it becomes a major contributing cause to a more or less serious business depression.

CREDIT SALES: Another test of credit operations is afforded by the volume of credit sales. This may be expressed in several ways: Total dollar volume of credit sales is the crudest. This is of significance only as showing increased or decreased volume of business and as an indication of this fact total sales is a much better indicator. A more refined showing of the credit sales is obtained by a calculation of the proportion which credit sales bear to total sales. Increase in the credit sales proportion is indicative of greater crediting activity. This may, however, be really a measure of the public willingness to use credit rather than a measure of the activity of the credit department.

Thus, during the depression, we witnessed, a decrease in the proportion of sales on credit. In other words, the sales on credit decreased at a greater rate than total sales. Comparisons from year to year for the same firm will show activity of the credit department and comparisons with other similar firms may show greater or lesser liberality in credit policies with resultant increased or decreased use of credit facilities. Caution in the application of this test must be exercised and all local and territorial differences influencing the use of credit considered together with peculiarities of the firm's clientele.

Little guidance is afforded by this test as to the credit policies of the firm, the responsibility to the debtors, or the stability of the economic society. At best it is but a general and indefinite guide rather than a specific and definite test. At worst it is dangerous because of its ambiguity.

COLLECTION PERCENTAGE, DAYS TO COLLECT AND TURNOVER OF RECEIVABLES: These are included under one heading because they are but different ways of stating the fundamental relationships. When expressed as a collection percentage it means the percentage of outstandings which are collected within a given period of time. When expressed as a turnover it is the number of times receivables are collected during a given period of time. Thus a 50% monthy collection percentage means the complete liquidation of receivables in 60 days and turnover of 6 times yearly.

This measure of credit management has an advantage over the bad debt loss calculation in that it can be figured earlier and will forecast difficulties in collection and increased losses sufficiently to advance to permit of the application of some remedial measures. Bad debt loss figures show past mistakes which are irremediable, the only corrective being to introduce reforms which will benefit the future. Collection percentages, when decreasing, show the accumulation of poor accounts on the books, or slackening of collection efforts before the bad conditions have had the opportunity to become irremediable. Change of policies or more effective collection effort when indicated by these symptoms will permit of cor-

rection before losses are inevitable.

The comparison of these figures should be made for the subject firm by comparing with the previous month, and the same month of the preceding year or years. The accumulation of figures over a period of several years should give the opportunity to gather figures relative to seasonal trends so that allowance for seasonal differences can be made. Additional comparisons of the subject firm with other similar firms can also be made to see whether the subject firm's operations are equal to standard results. It should also be noted that knowledge of these percentages form the basis for budget forecast and assist the financial officers in making plans for future financing.

This measure of credit activity should make it possible to detect the deleterious effects of the adoption of unsound policies early. For example, the adoption of unduly lenient terms, the solicitation of unsound classes of customers, the deterioration of a particular territory because of personnel or marketing changes, the yielding to competitive temptations to outdo the other fellow in credit; all of these will early reveal their fruits in a falling collection percentage. Likewise unduly stringent collection activity, overly conservative acceptance of credit, undue hesitation in the taking of risks; will likewise be detected earlier by study of the trend of the collection percentages.

Coming fundamental changes in economic conditions will be early reflected

in the collection percentages. Thus an improvement in the collection percentage is likely to reflect improved economic conditions even before the increase in credit sales, because of the tendency of debtors to repay old debts before entering upon new obligations. Decline in economic conditions is, however, more likely to be reflected in the decline of credit sales first because of the tendency to refrain from new commitments until the way to pay them is clearly apparent.

Proper interpretation of these coming changes enables the credit department to more properly handle the affairs of its debtors to avoid unduly burdening them with excessive debts just before the decline in economic conditions; or to increased liberality in credit acceptance so as not to handicap them in taking advantage of improved business opportunities. Likewise this is a means whereby the credit department, by properly interpreting the signposts within its own jurisdiction and acting in accordance with the interpretation, can contribute to its responsibility to maintain economic stability.

The objection that the action of but one small segment of business can have but little effect upon the business cycle may be answered by pointing out that the business cycle is but the total of all the individual segments. To the extent that each firm keeps its own doorstep clean and free from debris the whole street presents a better appearance and if each street is kept clean the whole town is neat, etc.

ANALYSIS OF ACCOUNTS: This test is almost purely an internal one. The general significance of collection results is shown by collection percentages. The analysis of accounts is a detailed and specific elaboration and points directly to conditions within the firm. The accounts may be analyzed by several methods. The more common of these methods are:

1. Calculation of the delinquency percentage. This is simply a computation of the percentage of accounts delinquent to the total number of open accounts and may be stated in dollars or numbers of accounts.

2. Aging of accounts. This is a more detailed listing of accounts and classification of them as to age of delinquency, e.g. not due, 30 days past due, 60 days past due, 90 days past due, 3 to 6 months past due, 6 months to 1 year past due, over one year past due, etc.

3. List of overdue accounts. This is a detailed itemized list of overdue accounts showing both the name and delinquency status of the account.

By any of these processes the condition of the receivables is more clearly revealed. Certainly effective management of the credit function demands that the man in charge have available to him this information at regular intervals. If the work of the department is divided between different individuals the comparison which can be made by this means is obvious. Likewise the comparison of different branch offices is facilitated. It can be made the basis of rankings, prizes and contests, should sales management technic be thought desirable.

Most credit men who analyze financial statements would doubtless agree that if the accounts receivable item in the subject statement were to be analyzed in this fashion it would be possible to make a more pointed analysis of it. Perhaps a step toward attaining this objective would be taken were the creditors firms to institute the practice in their own statements.

APPLICATIONS: Here again several specific devices have been grouped under one general heading. The details under this general heading are:

1. New accounts opened. Certainly activity of the credit department will be reflected by the number of new accounts which it opens during the period.

2. Applications. Activity of business in general and readiness to use credit freely will doubtless be reflected by the increase or decrease in the requests for credit accommodation.

3. Rejections. The attitude toward applications as well as the quality of the applicants and the credit policy being currently followed is shown by the number of rejections.

The combination of all three of these into one general measure and the showing of proportions of rejections and accounts opened to total applications will reveal the whole picture. When this is interpreted in the light of the interpretation given to the other indicators previously discussed it will make possible further criticism of the department's activity relative to its responsibility to the firm and to the debtor. Obviously no interpretation of these figures would be complete or correct unless it was made with proper weight given to the other indicators.

COST ANALYSIS: Quite naturally any final summation of the results of credit department activities must include cost figures. Significant cost figures which may be suggested are:

Credit department costs in total. The comparison of credit department costs should be relative to the total volume of credit sales during the year. Thus the true importance of this cost may be made more apparent. The responsibility of the department is to properly appraise and purchase every dollar of credit (*Cont. on page* 33)

Mr. Huegy lists these yard-sticks of credit management:

Bad debt losses
Credit sales
Collection percentage
Days to collect
Turnover of receivables
Analysis of accounts
Applications considered
Cost analysis
Summation of results

What do *you* think?

We count ourselves fortunate in being able to publish this article, the second of a series of two articles by the same author on tests of credit management.

May we suggest that you check last month's issue of Credit and Financial Management for the author's previous article, in case you did not read it then? And after reading the two, we will be happy to have you write us your opinion as to Mr. Huegy's observations. This should make a valuable symposium for our readers. We would like to count on your cooperation.

Handling unearned discounts

The problem of handling unearned cash discounts is perhaps one of the most vexatious arising in the routine work of the credit executive. Most cash discounts are based upon payment in ten days from date of invoice. Those who make a practice of sending out bills-payable checks on the 10th and 20th of the month, do not in most cases live up to the ten day terms. The problem arises as to what to do with such payments—whether to accept the check with the discount deducted and say nothing about the matter further or send the check back and ask for the full amount. These are questions and decisions facing credit executives many, many times during the course of their year's work.

Still another problem arises when terms of sale are 30 days net with no discount indicated. Many customers who pay twice each month take advantage of what they consider "advance payment" by deducting the usual 2% from their payments. Mr. W. T. Brunot, credit manager of the Robertshaw Thermostat Company of Youngwood, Pa., recently had this sort of a problem and handled it in a manner shown by the series of letters which follow:

July 15, 1936

Lebanon Foundry Co.
Ridgeway, Pa.
Gentlemen:

AMOUNT OF YOUR CHECK	$259.70
AMOUNT OF DEDUCTION	5.30

Thank you for your check which was received today in the above amount.

It is noted that in preparing your check you have deducted cash discount. We feel that this was perhaps an oversight, as our records indicate that the terms on this particular material are strictly net thirty days, with no discount allowable.

We are, therefore, returning your check so that you may issue one for the full amount of our invoice.

Your prompt cooperation in sending corrected check will be appreciated.

Very truly yours,
RANAL MANUFACTURING COMPANY
Encl. Check $259.70

July 17, 1936

Ranal Manufacturing Company,
Wayland, Pa.
Dear Sir:

We pay all of our bills on the 10th of the month and expect the same discount we have received in the past. Thank you.

Very truly yours,
LEBANON FOUNDRY COMPANY
Check $259.70 Encl.

July 22, 1936

Lebanon Foundry Co.,
Ridgeway, Pa.
Gentlemen:

We regret that we cannot accept your check number 8628 dated July 10th in the amount of $259.70 in settlement of our invoice of June 4th in the amount of $265.00 and we are, therefore, returning it to you.

Our terms of sale are net 30 days on all oven thermostats and your files will disclose that you have complied with these terms in the past. Inasmuch as our terms are standard with all customers it would be unfair for us to make any exception in the matter of terms.

We trust that upon reconsideration of this matter you will forward to us your check for the full amount of our invoice which is $265.00 as soon as possible. Thanking you, we are,

Very truly yours,
RANAL MANUFACTURING COMPANY
Encl.—Check $259.70

July 24, 1936

Ranal Manufacturing Company,
Wayland, Pa.
Dear Sir:

We pay our bills on the 10th of the following month, and receive 2% discount on all bills. We are favoring you with our business and expect to be favored by you. Thanks.

Very truly yours,
LEBANON FOUNDRY COMPANY
Check $259.70 Enclosed.

July 27, 1936

Lebanon Foundry Co.,
Ridgeway, Pa.
Gentlemen:

We have your recent communication in which you state that you receive 2% discount on all bills. We, too, take cash discount on all invoices covering material which we purchase from suppliers where the terms of sale permit the deduction of discount.

In some instances no discount is allowed: In others a discount of ½ of 1%, or 2% is allowed. Where our suppliers' terms of sale provide for payment of the net amount within a certain period, we must, of course, be governed by our suppliers' terms of sale.

It would, in our opinion, be unfair to alter the terms of sale by the deduction of discount. In such cases we assume that our supplier has based his costs upon "net" terms.

Permit us to point out to you that our quotation to your company was based on terms of net 30 days and that your previous payments to us have been in accordance with these terms.

We wish further to call your attention to the fact that deduction of discount which is now allowed by the seller's terms constitutes an alteration of the contract of purchase and sale and that this practice might have an injurious effect on your credit standing.

To illustrate we quote from a publication of the National Association of Credit Men as follows: "Cash discount terms are a carefully predetermined factor in fixing the price at which merchandise is sold. Fairness in respecting discount terms is an absolute requisite to sound business practice. In every case of improper deduction of discount, the seller has a definite obligation to return the payment offered. To condone the practice of taking unearned discount is to encourage cutthroat competition and lack of honesty in business dealings."

It is evident from the above quotation that the National Association of Credit Men considers this point to be of very great importance and, in their LEDGER INTERCHANGE SERVICE, one of the questions which creditors are obliged to answer concerning their accounts is whether the debtor makes wrongful deductions.

In this letter we have attempted to outline the important reasons why, in our opinion, you should comply with our terms of sale. It would be quite unfair for us to accept your check in full settlement of our account without extending a like privilege to our other customers and we, therefore, accept your check in part payment and request that you forward the remaining amount due us (*Continued on p. 29*)

The challenge of tradition

by EDWARD PILSBURY, President, N. A. C. M.

I have often wondered if we credit men of today have as much initiative, vision, and foresight as the men who founded and organized the National Association of Credit Men forty years ago.

I like to refer to that period as the "horse and buggy, ox-cart days", when train schedules were slow and far between, when traveling men used the trains principally to reach a central point in their territory and covered the balance of the territory by horse and buggy, mule and wagon, or ox-cart.

At that time business was transacted on an entirely different basis than it is today. Merchants concentrated their purchases near home in the hands of fewer wholesalers and manufacturers and bought supplies for a whole season at one time. In those days a closer personal relationship existed between buyer and seller than exists today. The customer's character, his resources, and his business ability were well known to his sources of supply. Competition was not nearly as keen as it is today, and a man's character alone was relied upon to a larger extent as a basis for credit than under present business conditions.

Credit men and credit departments were not considered very necessary in those days, but with the advent of good roads, automobiles, and other modern means of transportation and delivery, business methods completely changed. Purchases are no longer made on the basis of a season's requirements at one time, but largely from month to month or from hand to mouth, to use the common expression.

Business is no longer confined to nearby markets and concentrated in a few hands as before the advent of the auto, good roads, trucks, busses, and other modern means of transportation. Salesmen from Maine to California and from Canada to the Gulf call on us almost daily, bringing the markets of the entire United States and in some instances of the world to our very doors.

These changed conditions make it possible to obtain almost unlimited lines of credit, and in a great many instances merchants are induced to buy considerably beyond their means or needs by high-powered salesmen who are "driving" for business from day to day.

The credit men of forty years ago must have anticipated all of these things and realized how an organiza-

It is our responsibility to "Guard the Nation's Profits"

tion such as ours would be necessary to the safe expansion of credit. They must have realized that an educational campaign would have to be carried on by an organization such as ours to prepare the credit men for their serious duties and to bring about cooperation between credit departments.

They must have realized that some day the national Credit Interchange of ledger experiences would be absolutely necessary to keep down credit losses. They must have also realized that organizations such as our Adjustment Bureaus would be necessary to economically liquidate insolvent estates and to guide and assist in the rehabilitation of temporarily financially embarrassed estates and also to investigate and cause to be prosecuted merchants who attempted to defraud their creditors.

They must have also realized that uniform insolvency laws should replace the various state insolvency laws that existed, in order to encourage interstate commerce.

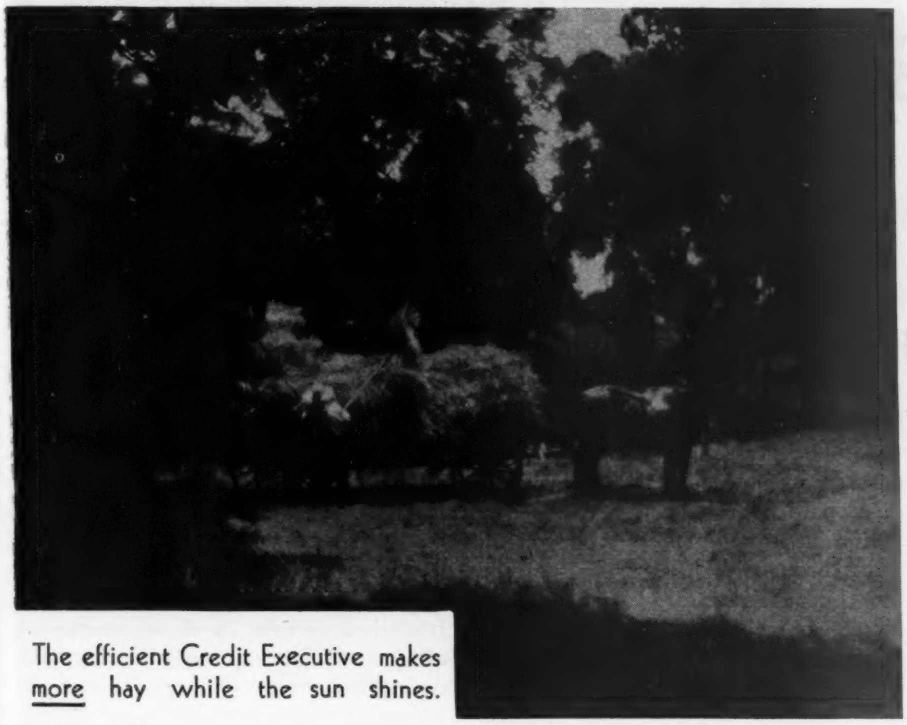
All these things have been fully realized, and our members have contributed a great deal to their realization and to the progress that the Association has made in the last forty years.

We, however, still have a lot of credit men with us who continue to live in the "horse and buggy, ox-cart days". I say that because it is not uncommon to be asked "What is the National Association of Credit Men, and what does it do?" That would indicate very clearly that our campaign of education and advertising has been too limited.

To these men we must now devote our attention if we are to make the progress in the future that we have a right to expect. Our organization has reached the point of development where we must concentrate on publicity and advertising to bring about a substantial increase in membership and the increase in the use of service departments which is bound to follow, and which will bring our organization up to that point of perfection that we are looking forward to.

The proper kind of advertising will sell most anything. Therefore, why should we meet with any sales resistance in selling our institution to every wholesaler, manufacturer, and banker in these United States?

Our very able Executive Manager



The efficient Credit Executive makes more hay while the sun shines.

and his staff within the past few years have obtained for us a great deal of publicity in magazines and important periodicals and newspapers, and we get splendid publicity through the large circulation of "Credit and Financial Management". But these mediums alone have proven to be insufficient, I think, because our membership has not increased as rapidly as it should.

It has been said that the best and fastest means of disseminating information is neither telephone nor telegraph, but "tell a woman". Possibly if we had more credit women in our ranks, the achievements of our organization and the value to its membership would have been more effectively circulated and distributed.

Every credit man and woman, every member of this organization should take advantage of every opportunity to explain to fellow credit men and women, who are not members of our organization, as well as the higher executives of member as well as nonmember firms, the aims and purposes of the Association and the necessity of increased membership, what has been accomplished in the past, and what we propose to do in the future.

A word-of-mouth advertising campaign of this character if carried on consistently will make the solicitation of members a comparatively easy task for our Secretary-Managers and our Membership Committees, and I am firmly of the opinion that if we started an advertising campaign of this character, we would double our membership in a short time.

A membership of 40,000 would give us the revenue so greatly needed to carry on the work we have planned to do. It would be of incalculable aid in the development of our program to "Guard the nation's profits!" for it would bring that program simultaneously closer to complete and profitable realization.

And in closing let me say this: The credit men of America, I am sure, will prove they have the initiative, vision and foresight that I mentioned in the first paragraph. They are, in fact, already proving it through the full-hearted endorsement they have given the Development Program of their own Association, of which I wrote in detail last month in this publication.

Reduce Costs

An editorial from "The Toledo Times," Sept. 14, 1936.

There is one group of business executives in this country accustomed to weighing all factors and making keen judgments of a financial nature which recently took a firm stand in favor of establishment immediately of a sound national budget.

The National Association of Credit Men, formed in Toledo in 1896, an agency which fostered the federal bankruptcy laws, which has attempted to combat commercial frauds on a national scale, now speaks out for sound business in national affairs.

These credit executives sense the danger of inflationary tendencies in much legislation and many administrative acts. They are accustomed to keeping in close touch with fiscal matters. They know what sound credit is and the big part that it plays in everyday human affairs.

In the first place, the credit men resolved to give assurance to "those charged with the affairs of government, of its fullest support in resisting every move against the sound money foundations of our business structure."

Then they went further and said "this association recognizes clearly that the people of the United States cannot hope to maintain currency and finances in sound position, safe from inflationary temptations and proposals, unless steps are taken, and immediately, to curb sharply the excess of expenses over income and to establish the principle of a sound budget not through constant increases in tax demands which serve to deplete the resources of the people in whatever stratum, and inevitably raise the prices of all that they must buy, but rather by reduction in the cost of government in all bureaus and departments."

That's the same kind of advice that credit executives looking over the financial statement of a concern desiring to place an order would give to a sick business.

"Get on a sound operating basis by reducing your costs so that you can meet competition and maintain sales volume," they would tell an ailing business operating on an extravagant budget.

They see financial sickness and paralysis creeping up on the nation unless something drastic is done in good time. Immediately—is the time for action, as they see it.

A Credit Man looks at Japan's business methods

by IRVING PHELAN, Los Angeles, Cal.

When a credit man in the Flower Kingdom says, "Daijobu gosai masu," which is Japanese for "Okay" he doesn't for there isn't any credit man and no credit department. We had a whole set of surprises in store as we looked at Japan from the background of the rather complicated credit structure of America. We wanted to know: What security the Japanese firm had for goods sold? How often they required balance sheets? What was the percentage of collections? What was the credit loss last year? Strange isn't it that principles we consider so sacred could be completely ignored? Strange but true for our informers met such questions as these with a wide-eyed stare.

Basically Japan is a network of small producers. In large industries piece work is let out to the home. The family is the firm. The house is the factory and the members of the household are the employees. Toys, metal work, wood carving, raw silk, wearing apparel, are largely made in the home. One sees blocks of small shops where small articles are being made; the family sleeps in the rear. Textiles, printing, bookbinding, foundry construction, cabinet making, would mostly be done in America in large factories.

One cannot go further without mention of the machine and labor. The machine has not reached Japan. She is still working with her hands. Heavy goods are conspicuously absent. Of course she has her shipbuilding and iron foundries but we are speaking generally. Labor is remarkably cheap. A young school teacher and wife of respectable habits were observed who live on less than ten American cents per day, for food. Their diet would be made up mostly of rice and vegetables. The laboring class would cut that figure sharply. The machine made abroad is prohibitive in price. A man could not get enough together in a lifetime to buy one. This carries right through all life. Men are seen shunting freight cars instead of a switch-engine. Twenty men will be pulling away at ropes where we would use a donkey engine. Everywhere men carry burdens. They tread bicycles, trailing trucks. They draw two-wheeled carts by hand with heavy loads aboard. Sometimes they are assisted by another man or the wife or in some places a dog is seen under the cart struggling away at the traces, doing his part of the work, alongside him the wife and one or two sons. Men are dragging dump carts or carry dirt on their backs where excavations are in process. The whole business of the preparation of merchandise for commerce is largely done by hand.

Like many other nations, Japan has as the backbone of her seventy millions, the farmer class. She is fundamentally agricultural. Tokyo, with over five million, is in many ways a modern city but most of her population live in small villages. Here is where the most unmistakeable sign exists of the speed of her march toward modernity. Here we see the certain marks of the old order. In what is frequently no more than a hovel of thatch and clay the land class is struggling to hold life together on an acre. A large family lives in one or two rooms—no floor, almost no furniture, the elemental form of life published to the passerby. There is no privacy, no solitude, no freedom. It is a race with the necessities of living. Here all work is done by hand. Labor saving machinery is not known. Leisure and amusements, comfort and a quiet corner at the end of the day are not yearned for they are unknown.

Unlike America a few banking institutions overshadow the whole nation. The Mitsui and Mitsubichi organizations tower over business in Japan like a mastif over a litter of poms. When the country was emerging from feudalism certain of these companies caught up golden opportunities and capitalized them. The result is simple monopoly. These are great family fortunes and it is conservative to say that they reach out into the important business houses of the community. The way they do it is unique. These interests are maintained through blood and marriage connections. Where anything of consequence is going on in the nation it is safe to assume they have some tie-in with these family estates.

With this background it will be easier to explain something of distribution, security for sales and collection methods. First we shall remember that the average house of business is not the large wholesale or manufacturing concern. It is a family unit, probably small, producing as much as can be managed by the hands of the father and sons. Sales are to other family connections to whom there is blood or marriage relationship, to neighbors whom they have known for generations or to other houses whose integrity and strength are not doubted. They are not doubted because they have been known for generations. Please bear in mind that there have been uninterrupted family lines in this country for nearly three thousand years, by which time family trees become somewhat interrelated. The same trade relations are kept from generation to generation. Thus commercial intercourse operates in well known channels.

If sales are made by a dealer or wholesale house they are seldom on

the large scale we know in America. More than likely they will be to other firms either connected by marriage or blood. The financial status of these houses is of no question. Shipments to distant points such as we know, where the buying house is only a name in a commercial rating book is unknown. Such shipment if made at all will be on a cash basis. Probably some arrangement is made for payment at time of shipment. Out of this practice comes a closeness of relations between houses that is not possible in a younger country.

The whole mental attitude of the people is conducive to stability and longevity. Family life and business are directly related. A lad comes up behind his father to look on his business with respect. Early he becomes an apprentice, later an expert. One day he succeeds to his father's place as head of the firm. The other sons take their places around him. Large families are the rule. It is an economic advantage to have many helpers in production. It means labor. Labor is power.

The family cooperatives are a modern development. This is the direct influence of the machine. In canning and some other industries it has been necessary to have equipment which the single family cannot afford. They team together to buy the needed machines. There is not much experience behind this turn of evolution but it seems to be fitting into the old scheme, that is a combination of families joining in on the old basis. It does not seem to have the drawback of a complicated organization. Rather the property is held in community ownership, each participating according to amount of family production.

Another factor noted was that of family pride. One will search in vain to find greater rivalry and hatreds than here. In the West we know very little about this. With us it is a matter of business. Here it is a matter of family. With the closely woven relations and the long years of intercourse with no shifting of trade or scene personal animosities have sprung up which are an important factor. This tends to family strength and longevity.

"Face" or reputation is another powerful factor we do not have to deal with in the West. Our shifting and transitory qualities as compared to the East make for an easy handling of responsibility for the honor of name. Here in the East it means everything. A man cannot be discredited in the eyes of his fellows. He will do anything to save his honor. It is not a personal matter when a business house gets into difficulties. It is the family, the relatives, even the national family. The result of an acute condition of crisis in a Japanese firm is that the family fortune is poured into the spot of need until the crisis is past. If this treatment will not save the day it is a very serious matter. Failure is a blot on the family name that may not be accepted. Faced with failure the head of the family has no alternative between suicide and bringing shame on his name. To commit suicide is to restore the honor of the family. To live under such conditions is beneath contempt. The most acceptable method is called hari-kiri which is to first slash the stomach open so that the bowels drop out and then with the last bit of energy to stab the dagger into the heart. Some may choose less extreme ways of meeting the demands of society. In any event the attitude toward business failure is such as to stimulate the maximum effort of the head of the family in the opposite direction.

Mr. Phelan spent several months in the rural districts in Japan where he had an opportunity to study the centuries old methods of conducting business in this, the "Land of the Rising Sun". Credit in Japan, Mr. Phelan points out is more the family honor. When that fails, the head of the house has nothing to do but to go out and fall upon his sword. Suicide is the only way in which the honor of the family can be restored after business failure. The life of the head of the family is the "discharge in bankruptcy" which permits the family to reopen for business under a new family head. The fate of the Gods in determining the family into which you are born, also determines the trade in which you are to engage all through your life.

The Japanese attitude toward the family name and the sacred trust of maintaining it is shown in the practice of adopting a son where there is none to succeed him. A promising boy is chosen to marry his daughter and the boy relinquishes his own name for that of the adopted father. Sometimes this is a desirable move to make when the family is in need of new blood. By careful selection the purpose desired is accomplished. Frequently we hear of this in the great houses of Japan.

Business racketeering in Japan is unknown. We refer to the practice of a man failing in one place only to move on to another location and open up shop. There are recorded cases of this happening in a succession of several places, leaving behind him a trail of suffering victims. This cannot happen in the same way here. It is not in the soul of the people.

Those who may have read this far will have reason to ask why anything was said about Credit in the title to this discussion. Credit and culture are the appointments of an advanced race. Japan is pioneering. When America was riding in the covered wagons she did not spend much time keeping accounts, counting costs nor credit losses. She was for getting the business. The first one there could claim the richest stake. It is when the margin between decease and survival is about to flicker out that a small increase in cost or credit mortality may close the doors. Japan has not arrived there. Those who have dropped in on Tokyo or Osaka for a few hours to go off and write glowing accounts about modern Japan with her smoking factories well equipped with shiny new machines and cocky office buildings might have saved their ink until they had looked into the hinterland. After having travelled some twenty-five thousand miles last year with teams of the Oxford Group into the remote corners of the Empire, living in native hotels, being entertained in their homes and coming to see deeply into the heart of the rank and file folk of the nation one still remembers some pioneering to be done.

Our conclusion is rather obvious. The family system is an effective block to the practice of Western credit methods. Japan is pioneering. Business stability and integrity are assured. The failure of a business house is unknown. Sales are not made to firms of questionable financial rating. Hari-kiri is less desirable than longevity in business life and serves to prevent any monkey business.

Occupational disease problems

One of the major problems, and by no means the least, confronting industry in the present era is that of occupational diseases.

A failure to recognize the trend toward a new form of compensation law and procedure dealing with industrial diseases would be a serious mistake. It would likewise be a serious and costly mistake if in the rush of matters an ill-advised enactment is created, disclosing that a well-intended plan to compensate such diseases as may truly emanate from and are definitely associated with industry should prove to be a measure whereby employers are required to meet the cost of all ordinary diseases of life under the false guise of general health or life insurance. The burden thereby entailed upon industry would be incalculable and unendurable.

Admittedly, any law upon the subject should fairly estimate the respective equities of both workers and employers in order that no injustice may be done to either; and, doubtless, it is this precise and important factor that has prompted the appointment of commissions in various states to make a complete study of the problem prior to enactment of laws.

It is by no means an easy task for those who undertake to fashion such a law when consideration is given to the fact that there is a material difference between an accidental injury, sustained in the course of employment readily assignable to industrial activity, the results of which are equally readily ascertainable by surgical examination and quite measureable in respect of disability, as distinguished from a disease which is solely internal, susceptible of origin from either industry or from causes over which it has no control, and subject only to diagnosis on medical or X-ray findings.

Thus, for illustration, one may think in terms of ordinary tuberculosis or the general run of diseases of the respiratory tract which are as frequently incurred outside of industry as they are claimed to be due to certain industrial undertakings; or, we may turn to the so-called dust diseases which, if traceable to industry at all, often do not manifest themselves until after many years of exposure, probably over many different employments in possibly different states.

How shall occupational diseases, if chargeable to industry, be compensated and by whom? What allowance shall be made for probable previous exposure incurred in a prior employment? Who shall determine such cases—lay referees or medical men of experience?

These are only a few of the major items worthy of serious consideration to the end that any contemplated compensation plan may prove livable and fair to all interested parties. In addition, the law should be of a form that will readily permit insurance of the obligation. This is important and necessary whether the obligation is secured by the purchase of insurance from private companies, or the employer qualifies as a self-insured. Under any plan industry is called upon to assume the burden of cost either from the standpoint of benefits under a compensation act or as a result of damages in a suit at common law in cases chargeable to it.

Full appreciation of the serious problem with which the industrial world stands challenged today in respect of occupational diseases can only be had by a study of the law of the individual state in which the industry is domiciled and by a rigid survey of working conditions in the light of legal requirements. At the moment there is no uniformity in this respect in the laws of the several states. In a few of the states all occupational diseases, generally speaking, are covered under their respective compensation plans. In a few other states the compensation laws cover by a schedule only such diseases as are specified and set out in the act. These schedules embrace the more commonly known occupational diseases, permitting the Legislatures to add to the schedules newer diseases as they are developed or identified by experienced and competent medical authority. Under either of these plans claims for compensation are submitted to the administrative body of the compensation act for determination on the questions as to whether or not the claimant is suffering from a disease due to the occupation or process in which he was engaged, the date and degree of disability, and the amount to be awarded. This procedure seems simple enough, but the difficulties encountered in some of the cases are nevertheless manifold, particularly in cases wherein it may be found that a slight exposure to a hazard existed; yet, the actual disability is due to natural causes and in no way related to the occupation at all. Such cases create doubts and uncertainties which in turn would inject additional and unnecessary burdens upon industry.

In the vast majority of the states occupational diseases are not included in the compensation laws, and in many of those states an enormous number of suits has been instituted seeking damages at common law on the basis of disease—genuine or alleged—chiefly in connection with silicosis or the so-called dust diseases. This has taken the industrial field completely by surprise. Many of these suits may involve a genuine condition; others may be exploited or inflated. All, however, allege either the negligence of an employer or violations of statutory requirements as being responsible for an alleged condition, and it is against such allegations that employers are called upon to defend. These suits create legal problems of an important character depending upon the precise disease involved. Many of the diseases are not immediately disabling as in cases of general accidents but produce the final disability slowly and, consequently, findings in common law cases may differ materially from rulings in the compensation branch of law in respect of cost.

With varying situations such as described it is not surprising that there should be increasing suggestions for a plan whereby the more commonly known diseases due to occupation should be included in a workmen's compensation law, but whether the remedy is under a plan of employer's liability for damages or under a compensation act, whether the claimed condition is alleged to be due to dust, fumes or otherwise, the interests of all parties, including the economic as well as the legal aspects of the situation, (*Continued on page* 34)

So he wrote a letter . . .

by VIRGINIA YOUNG

The author of this article is serving her ninth year as Correspondence Supervisor with the Gates Rubber Company of Denver, Colo. She has sixty correspondents whom she helps with letterwriting and is in charge of the stenographic department in which she employs, trains, and supervises the girls employed.

For her company, Miss Young has developed a centralized department and installed dictating and transcribing machines, all of which she says has developed greater efficiency and surprising savings. We hope shortly to present a review of a book on letterwriting, which she has written, in our "Paging Books" column.

Away back in the days when our forefathers dwelt within the cliffs it came to pass that Thomas Kafoodle desired to make speech with Joseph Mypoodle. Now Joseph Mypoodle lived a goodly distance from the cliff of Thomas Kafoodle and even though Thomas had exceeding good lungs and could make himself heard from the cliff to the grain field, a distance of almost two leagues, his voice would not carry all the way from his dwelling to that of Joseph.

Much perplexed, Thomas sat himself down upon a stone outside his cliff and meditated upon the problem of carrying a message to his friend. Many days sat he thus and neither ate nor drank. Much whispering arose and the folks saith among themselves, "Truly, Thomas is a wise man and something of great worth shalt surely come from these ponderings."

One day about midsun Thomas arose to his feet and shouted with a loud voice: "Great is my joy! The big idea has dawned. My good wife Marianthe is always wanting to go somewhere; surely it is a trial to me to find ways to keep her at home, I'll let her take a message which I shalt carve out of rock, yea, bo, I'll let *her* go."

To himself Thomas kept repeating, "I'll let her go, I'll let her go," and not knowing that puns would some day be considered the lowest form of wit he became amused with the combination of words "let her" which ran together so nicely as "letter."

"Verily, I'll call the message a letter and Joseph shalt receive it."

Whereupon Thomas entered into his dwelling and ate right heartily and drank of the good wine which Marianthe poured into his gourd. Then he arose and departed into the rocky caverns and found a flat, smooth stone and thereupon he carved these words:

"Respected Joseph Mypoodle, sir: I beg leave to state that mine eyes doth hunger for the sight of thee. Verily, thy presence wouldst be as both bread and meat to me. Thy visit of recent date was of greatest pleasure and I regret to state that I cannot return it at this time. Because of the soreness of mine feet I cannot make the long journey. Thou knowest, however, how much my good wife Marianthe doth love to go places and do things, so I have decided that this stone shalt be my spokesman and I shalt let Marianthe carry it to thee. Yea, sir, I shalt *let her* do it and for this reason I shalt call my message a *letter*. Likest thou that name, Joseph? Trusting that thou wilt look with favor upon this missive and because I cannot come to thee I beg to remain thy friend and humble servant, Thomas Kafoodle."

When Thomas had completed the carving of his message all his kinsmen and neighbors drew around to admire his exceeding clever work.

"Verily, thou art a great man, Thomas," and "Bravo," and "Hot stuff" filled the air.

Marianthe was nothing lothe to make the journey, for did she not thus avoid the grinding of the grist and the baking of bread? In due time she arrived at the dwelling place of Joseph who, when he had read the letter, was overjoyed and spake into his beard with deep rumblings:

"Much work have I to do and I cannot take the time that Thomas took for such carvings. Mine old grandfather who sits all day and cannot work shalt do it for me." Approaching his grandfather he spake thusly: "Grandpap, thou shalt take this stone and carve upon it that which I shalt tell unto thee. Remember well and do not put down that which I do not say." (Which as far as history relates, is the beginning of the art of dictation.)

Grandfather Mypoodle listened intently to these words which in due time he carved upon the stone:

"Great and honorable Thomas Kafoodle: Never wilt thou know nor canst I tell thee how great joy came over me when thy good wife Marianthe bore unto me thy letter. I do regret exceeding that I must advise thee that mine wheat is even now in need of plucking and grinding and I cannot leave my dwelling place until this work shalt be finished. Since my dear wife hath departed to the Land of the Blessed I must do all this work myself, as thou knowest. I beg leave to state that nothing wouldst be more pleasurable than to feast mine eyes upon thy countenance and before another moon doth wane it is my humble desire that such shalt come to pass. I trust that thy feet are no longer bothering thee to such a painful extent. By thy wife Marianthe I send thee strong skins with which to make thyself a pair of stout sandals which shalt protect thy feet from the rocks and thus cause them to heal much faster. Until I see thee, then, (*Cont. on page* 31)

ARTHUR H. KENT, Acting Chief Counsel, U. S. Bureau of Internal Revenue, discusses the background and workings of

The 1936 Federal Revenue Act

I sincerely appreciate the opportunity extended to me to discuss some of the more significant changes in the federal tax structure made by the Revenue Act of 1936. Every citizen, no matter what his station in life, is vitally affected by the principles adopted and applied by the Congress to govern the distribution of the tax burden. No problem of government requires more imperatively calm and dispassionate thought and analysis and clear understanding if its solution is to take the form which best protects and promotes the welfare of the people as a whole. The Revenue Act of 1936 is noteworthy for the number and the fundamental character of the changes in our revenue system which it introduces. Indeed, it is not an exaggeration to say that it is second in importance only to the income tax itself.

The National Association of Credit Men performs a vital function in the successful operation of American business. Upon the wisdom and intelligence of your management of business credit the stability of that business and the soundness of its expansion and contraction to no small degree depends. It is natural and proper that you should have a lively interest in government fiscal policy and its effects upon the conditions under which you are called to operate.

I shall endeavor within the space limits available to present in language not too technical a picture of the changes actually made by the recent amendments, with some indication of their underlying reasons and objectives.

First I should like to point out that the changes made, however important, affected only a fractional part of the Revenue Act. Much of the publicity appearing in the columns of the press after the House and Senate versions of the Act were reported was highly misleading on this point. For instance, it was a common assertion that the new revenue act was 240 or 250 printed pages long, the implication being that so large a volume of new legislation was being introduced into the revenue law. The fact is that only a small fraction represented new statutory material.

Congress has found it convenient, whenever important changes are made in the income tax, to pass in form a complete new act rather than to amend the old, but the new act may be and normally is identical with the old in the great majority of its provisions. The result is the same as though the prior act were left in effect, save as to the limited number of sections modified by amendments and the still smaller number of new sections added.

It has long been a popular American sport to criticize the income tax law for its technicalities and complexities. To this the new revenue act will be no exception. I should be the last to deny that the law is complicated and that the more recent acts are in some respects more complex and difficult to understand than the old (with an exception in the case of the war-time excess profits tax). All must sympathize with the desire for simplicity and certainty. But unfortunately it is easier to point to the condition than the remedy.

Along with the cry for simplicity and certainty in the field of taxation goes the demand for justice, equity and a minimum of invidious or harmful discrimination. Both desires cannot be satisfied at the same time. The complexity of a revenue act is not the product of the perversity of legislators nor the obtuseness or lack of competence of legislative draftsmen. Rather in the main it but reflects the ramifications of the complex economic system of which we are a part.

The simplest of all income taxes, though even it would by no means be free from difficulties, would be one on gross income or, better still, gross receipts. Yet what income taxpayer would want simplicity at such a price? But every new deduction or credit which Congress has allowed in order to bring statutory net income more closely to true accounting net income or to conform the tax burden more exactly to ability to pay has brought new complications and uncertainties in its train.

Examples might be multiplied indefinitely, if time permitted. Suffice to point to two. Few provisions of the revenue acts have been more technical, more difficult to understand and more productive of stubborn litigation than those relating to so-called tax-free exchanges, including corporate reorganizations, and the correlative sections relating to determination and adjustment of basis. In all these cases, though taxable income within the meaning of the Sixteenth Amendment is realized, Congress has for reasons of policy and out of consideration for the necessities or convenience of business, declared that the gain shall, in whole or in part, dependent upon the circumstances, be not recognized. Would business men desire that these provisions should be repealed in the interests of simplicity and certainty of tax liability?

Again, Congress has seen fit from the beginning of the present federal income tax to allow taxpayers an election to report their incomes on a calendar or a fiscal year basis, a fiscal year being defined as one ending on the last day of any month other than December. No doubt the privilege of filing a fiscal year return is necessary in many cases where, by reason of seasonal or other factors peculiar to a particular line of business, income would otherwise be distorted. Indeed, many taxpayers have not been satisfied with this but have demanded the law be amended to allow a fiscal year ending on any date other than December 31st. Yet it would greatly simplify administration and still more the problems of legislative draftsmanship were all tax-

payers required to file calendar year returns.

Nevertheless, despite the fact that the fiscal year return is a concession to the demands of business itself, a national organization of business men used as one of its reasons for a published attack upon the undistributed profits tax in the 1936 Revenue Act the alleged fact that it was discriminatory in that fiscal year taxpayers would not be affected by it for from one to eleven months after calendar year taxpayers. This result could be avoided only by abolition of fiscal years, which the organization in question would not, I am sure, be prepared to advocate, or by return to a plan Congress tried for many years and found wanting which required taxpayers to compute their tax for a part of a taxable year under one law and the remainder of the year under another.

The other principal cause for the increasing complexity of the revenue laws is the necessity of corrective amendments to check evasion and to close avenues of avoidance which certain taxpayers, sharper than their fellows or better equipped with ingenious and resourceful legal counsel, are continually discovering. Such a process of legislative amendment is necessary both to protect the revenues and to effectuate the policy of laying the tax burden in relation to ability to pay, the principle underlying the graduated surtax rates.

The Revenue Act of 1936, in the form in which it was finally enacted, made no change whatever in the rate schedules applicable to individual incomes, except as to non-resident aliens. Indeed, individual income taxes are affected only to the extent that the exemption of dividends from the normal tax of 4 per cent was repealed and to the further extent that the income of many individuals may be raised into higher surtax brackets by a more liberal policy of distribution of corporate earnings in dividends to shareholders as a result of the new surtax on undistributed corporate income.

Save for the repeal of the manufacturer's excise tax on jewelry, the recasting of the excise tax upon furs involving a reduction of rate from 10 to 3 per cent and the elimination of exemption of fur articles wholesaling for less than seventy-five dollars from the tax, and the broadening of excise taxes on certain imported vegetable and marine animal oils and their products and derivatives, the titles relating to excise and miscellaneous taxes remain unaffected by the new Act.

By far the most important change introduced by it is the surtax upon undistributed corporate income. To this change the majority of the other amendments and innovations in the income tax sections are incident. Other noteworthy changes, which time will not permit me to discuss in much detail, are the sweeping revision of the long-standing but unsatisfactory method of taxing income of non-resident aliens from sources within the United States, an amendment giving corporate shareholders the benefit of the capital gain holding period percentages, prescribed by section 117 of the 1934 Act on gains on distributions in complete liquidation, an amendment preventing an all too frequent stepping up of basis as to assets received in tax-free reorganizations and an amendment facilitating the simplification of affiliated groups, through the elimination of unnecessary subsidiaries, by providing for non-recognition of gain or loss on receipt of property in a prescribed type of liquidation of a subsidiary to a parent corporation.

In his message to Congress under date of March 3, 1936, the President called attention to the effect upon the budgetary estimates of the loss of revenue from processing taxes consequent upon the decision of the United States Supreme Court invalidating the Agricultural Adjustment Act and the additional charge placed upon the Treasury through the enactment of the Adjusted Compensation Payment Act, and the necessity for raising substantial additional permanent and temporary revenue in order to balance estimated expenditures other than expenditures for relief.

In the course of his message, he invited the attention of the Congress, as a possible source for the needed additional permanent revenue of $620,000,000 per year, "to a form of tax which would accomplish an important tax reform, remove two major inequalities, and stop 'leaks' in present surtaxes."

The first of these major inequalities was the discrimination in the distribution of the tax load among the beneficial owners of business profits, depending upon the form of organization of business enterprises, which on the one hand rendered incorporation of small businesses difficult or impossible because of tax differentials and on the other gave the corporate form an artificial tax advantage in the field of larger enterprise.

A business yielding profit of about $18,000 or less, cost less tax if carried on without incorporation. A partnership possessed a tax advantage over a corporation, as long as the share of profits of each partner was less than about $18,000 per year. There seemed to be no sufficient reason why the tax burdens of business profits should be made to depend upon the particular form of business unit selected by entrepreneurs.

The second major inequity and the source of a large leak to the revenues was the fact that, under a system which relied for income tax revenues solely upon a normal tax upon corporate income and a normal tax plus a highly graduated surtax upon individual incomes, the controlling shareholders of a business enterprise with a large income would often pay less tax by retaining corporate profits in the corporate treasury than by distributing them and paying a higher rate of surtax on their individual incomes. In so doing, the only tax paid would be the corporate tax, at the most 15 per cent.

As the earnings accumulated, the value of the shareholders' equities would tend to increase, but the realization of any income tax revenue thereon might be indefinitely postponed and, indeed, if a shareholder died before realizing his gain by a taxable sale or exchange, no income tax would ever be paid by anyone on the appreciation in value. Various forms of reorganization and other devices were resorted to, many times successfully, to postpone indefinitely or escape forever the payment of surtaxes on such increase.

On the other hand, numerous small shareholders in such corporations derived no comparable benefits from the accumulation of earnings. With little or no voice in shaping the decisions of management, they were forced to content themselves with such fractions of earnings as the dominant groups might see fit to declare out in dividends. The flat normal tax on corporate income bore with disproportionate severity upon them and made small stock holdings an investment of doubtful value.

Corporate enterprises following consistently liberal policies of dividend distribution were compelled to bear a larger share of the total tax burden because of the loss to the revenues caused by the niggardly policies of others who consistently plowed back a major part of their earnings. The tax law itself, by allowing a deduction for interest in arriving at taxable net income and making no similar allowance or credit for dividends distributed, encouraged financing by borrowing rather than by sale of equities, with disastrous results in many cases when the onset of depression threw onto the rocks of bankruptcy or receivership corporations unable promptly to reduce their overhead charges.

In order to remove these inequalities and stop up these leaks, the President recommended the repeal of existing corporate taxes, including income, capital stock, and excess profits levies, the repeal of the exemption of dividends from individual normal tax, and the substitution of a surtax upon the undistributed net income of corporations, including therein dividends received by them from other corporations, this surtax to be graduated at rates so fixed as to yield on the average the same revenue the Treasury would derive if all corporate profits were distributed and taxed in the hands of the shareholders.

If a corporation in fact served only as a conduit of earnings to its shareholders, it would pay no taxes qua corporation. The same condition would exist as did exist under our earliest income tax law, viz., the Civil War Act in effect from 1862 to 1871, when corporate shareholders were taxed annually upon their proportionate share of the corporate profits, whether distributed or undivided, as though they were partners.

From a theoretical point of view, much might be said for this early solution of an old and stubborn problem. Unfortunately, its practical administration under present day conditions would present almost insuperable difficulties and the decision of the Supreme Court in the stock dividend case, Eisner v. Macomber, would leave its constitutional validity open to grave question.

The bill as it finally emerged from conference and became the Revenue Act of 1936 after approval by the President was in the nature of a compromise, the House Bill having incorporated substantially the President's suggestions. It retained the normal tax on corporate net income, but with the rates graduated to from 8 to 15 per cent on the following basis:

First $2,000	8%
Next $13,000	11%
Next $25,000	13%
Remainder	15%

Inasmuch as the 1934 Act imposed a flat rate of 13¾% and the vast majority of corporations in point of numbers have a net income of less than $25,000, it is apparent that the new Act gives the larger number of corporations a somewhat lower normal tax rate. The Act also retained the capital stock tax and its supporting excess profits tax, but reduced the rate on the former from $1.40 to $1.00 per thousand dollars of declared value. The tax on intercorporate dividends imposed by the 1935 Act, which is exerting a mild but nevertheless rather effective pressure to simplify needlessly complicated corporate structures, was likewise retained, with a slight increase in the effective rate through the inclusion of 15 per cent of intercorporate dividends in net income for normal tax purposes, instead of 10 per cent under the prior Act.

While these features of the existing law were thus finally retained in modified form, the principle of a graduated surtax on undistributed profits was written into the bill, the rates being based upon the ratio between the ***adjusted net income*** of the corporation and the ***amount thereof not distributed*** during the taxable year.

"Adjusted net income" is the net income less the normal tax and less the credit for interest on obligations of the United States and its instrumentalities.

"Undistributed net income" is arrived at by deducting from "adjusted net income" (1) a credit for the amount of dividends paid and (2) a credit for the extent to which the payment of dividends is restricted or limited by the express provisions of certain contracts. The surtax rates are 7% on the portion of undistributed net which is not in excess of 10% of adjusted net, 12% on the next 10%, 17% on the next 20%, 22% on the next 20%, and 27% on that portion of undistributed net which is in excess of 60 per cent of the adjusted net income. By means of a specific credit, however, corporations with adjusted net income of less than $50,000 (about 95% of all tax-paying corporations in point of number fall in this group) are permitted to retain at least $5,000 of such income at the minimum rate of 7 per cent. The various tax provisions of the new Act are estimated to yield a minimum of 630 millions of dollars additional permanent revenue on a full year basis, the major portion of which will come from the new surtax or the increase in income taxes paid by shareholders on the larger distributions received by them.

The new tax has, of course, no application to corporate surpluses accumulated in past years. Certain classes of corporations, of which the most important are banks and certain trust companies, all insurance companies, corporations in bankruptcy or insolvent and in receivership, and foreign corporations, are exempted from the surtax. Foreign corporations engaged in trade or business in the United States or having an office or place of business therein, however, will now pay a flat tax of 22 per cent on their income from sources within the United States.

The liberal deductions allowed by prior law for depreciation and obsolescence, depletion, bad debts, and other expenses in arriving at statutory net income are not disturbed. Depreciation and depletion reserves allowed run up into billions of dollars each year, at times exceeding in amount the total taxable net income of corporations filing returns.

In all probability the existence of such untaxed reserves enabled many corporations, as much or more than book surpluses much of which represents investment in plant or other nonliquid assets, to pay dividends in excess of their earnings during the lean years, as well as to care for capital debt retirement.

While the new surtax no longer leaves in considerable measure to corporate management the power to control by its decisions the volume of income tax revenue, the Act makes no effort to determine the form which distributions to shareholders shall take, provided such distributions are subject to taxation to the shareholders when received. On the contrary, the new surtax may be substantially reduced or wholly eliminated if corporate management adopts any one of the numerous methods recognized by the Act for dis-

tributing taxable dividends. Many of these methods permit a corporation to obtain the dividends paid credit without parting with its cash or quick assets, leaving it free, if its management and shareholders so desire, to use its cash or liquid resources for expansion, debt retirement, or maintenance of its policy with respect to reserves for contingencies.

with an unreasonable accumulation of profits.

On the other hand, if a corporation with a deficit under income tax rules eliminated the deficit by the usual processes available under local laws, it ran the risk of losing thereby a tax advantage enjoyed by shareholders so long as such deficit existed. In numerous other cases withdrawals of corporate

Some critics of the Act declare that it will upset the equilibrium of the business vessel just when maintenance of equilibrium is again possible after several years.

The recognition thus given to various methods for sharing corporate prosperity with the shareholders is as wide as the Supreme Court's definition of the constitutional concept of income permits; yet the Treasury is protected from the loss of revenue from the tax on individual incomes resulting from the failure of corporations to make some form of taxable distribution.

Under preexisting law it not uncommonly happened that a corporation could meet the income tax requirements with respect to the payment of dividends only by distributing its most liquid assets. Indeed, so rigid were the former requirements that a corporation with a deficit computed pursuant to its regular accounting methods might find itself in the paradoxical situation of being charged under harsh penalty

funds were attempted to be disguised in such manner as to prevent the imposition of an income tax upon stockholders, to the manifest prejudice of shareholders of corporations refusing to engage in such practices.

In contrast to this former situation, corporations may now meet the expectations of their stockholders and at the same time satisfy the requirements of the new law as to the dividends paid credit, without impairing the corporate financial strength. They may do so openly and above-board, without fear of penalty for unreasonable accumulation of surplus, whereas even the distribution of constitutionally taxable stock dividends was not recognized under prior laws.

Corporations with deficits are encouraged to improve their balance sheets by readjustment of their capital structure, recapitalization, pro rata surrender of stock, revaluation of assets, and similar recognized devices which place them in a position to make distributions in stock, obligations, or cash, according to their own best judgment, and thus obtain a credit for surtax purposes. All this may be done, if desired, without any impairment of the corporate net assets.

Congress has previously experimented with various methods of solving the problem of escape from individual surtaxes through accumulation of corporate profits. Only one of them, section 351 of the 1934 Act, has proven measurably successful. It is applicable, however, only to a limited class of closely held personal holding corporations, commonly known as incorporated pocketbooks. Section 102, which imposes a heavy surtax on corporations formed or availed of to evade surtax on shareholders by accumulating earnings, has proven largely ineffective through difficulties of enforcement and restrictive interpretation by judicial decision.

To the extent that corporate earnings are in one form or another distributed as earned, as the result of the new Act, equality of income tax burden upon business profits will be realized, subject only to that distortion of equality which, as pointed out above, is necessarily incident to the retention of any normal tax upon corporate income. The large amount of additional revenue estimated to be raised by it merely measures the magnitude of escape under preexisting law from the full burden of high surtaxes on individual incomes which has resulted from the practice of large numbers of corporations to retain large portions of their earnings or to attempt the capitalization thereof by the cutting of "melons" in the form of constitutionally exempt stock dividends.

It should be strongly emphasized that the new law does not, as has been frequently asserted, prevent the use of earnings for plant expansion, debt retirement, or other legitimate corporate purposes. There is nothing in it which compels the payment of dividends in cash. It leaves each corporation free to determine, in the light of its own needs and the peculiarities of its individual situation, the form which its distributions shall take. Income in the form of interest on tax-exempt securi-

ties it may accumulate at its pleasure so far as the new surtax is concerned. With this qualification the policy on which the surtax is based is a closer approximation to equality of tax burden.

Needed new capital may be obtained through borrowing or the sale of stock rights or through the retention of earnings, as corporate management may decide, but whether one method or another is selected such capital will have passed through the tax mill in one way or another. The wise use of earnings for plant expansion or debt retirement increases pro tanto the value of the shareholders' equities. If they or the corporation have had to pay a proper tax in the meantime, wherein has any unfair hardship been worked or injustice done?

If one result of the new Act is to cause shareholders to take a more active and intelligent interest in the decisions of corporate management as to the employment of earnings, who can assert that such a result would be inimical either to sound policy or corporate responsibility?

In my reference to debt retirement, I was not speaking of ordinary short-term bank loans and other commercial indebtedness incurred to provide working capital to finance the production of goods and services, but only to funded or capital indebtedness. The former type of indebtedness is amply cared for by the inventory adjustments and the various allowable deductions from gross income which cover the cost of goods and services used in the production of the net income which is subject to tax.

The contention was urged with some force, when the Revenue Act of 1935 was under consideration, that it was unfair to exert pressure in various ways for the simplification of corporate structures while the tax law itself placed obstacles in the way of such simplification in the form of potential heavy tax liabilities where the integration of a parent and subsidiary could not for some reason be conveniently accomplished in the form of a non-taxable reorganization as defined in the statute.

The easiest device available was a statutory merger, but there were one or two decisions, as well as an opinion among some tax lawyers, to the effect that a merger of a wholly owned subsidiary into a parent might be regarded, in determining taxability, not as a reorganization but as a liquidation, since that is undoubtedly its substantial effect. Congress attempted a solution of this difficulty in section 110 of the 1935 Act, amending section 112(b) of the Revenue Act of 1934, by providing that no gain or loss should be recognized on so-called exchanges in liquidation, provided certain conditions contained therein were satisfied.

This amendment did not prove satisfactory or workable in practice, largely because it was necessary to allocate to the assets (other than money) received by the parent the cost of the subsidiary's stock to the parent, in order to arrive at the basis of such assets for depreciation, determination of gain or loss on future sale, etc. In many cases this was highly impractical, if not impossible.

In the 1936 Act the problem was attacked from a different angle and section 112(b) (6) was completely rewritten so as to permit beyond question the integration of a subsidiary into a parent corporation by merger or liquidation, without recognition of gain or loss, provided the other requirements and conditions specified therein are complied with, with the basis of the assets in the hands of the subsidiary carried over to the parent. At the same time section 115(c) of the 1934 Act was amended to relax its harsh rule, in the case of a complete liquidation of a corporation within a two-year period to its shareholders, and allow such shareholders the right to apply the capital gain holding period percentages to the gains on such liquidation. That provision in the 1934 Act had functioned in practice as a trap for the unwary and an embargo on liquidation by the well-advised, rather than as a protection to the revenue. The recent amendment is expected to bring in many millions of revenue, at least in the earlier years of its operation.

The other principal change effected by the 1936 Act is in the taxation of nonresident aliens. Under the prior law the effort was made to subject such aliens to the same individual normal and surtaxes on their income from sources within the United States as were imposed upon citizens and resident aliens, including a tax upon capital gains in transactions consummated here. A personal exemption of a thousand dollars was allowed in every case. Collection of the tax due was attempted by requiring the filing of returns and the device of requiring withholding of the normal tax at the source was used only to a limited extent.

It was in essence a system tried and abandoned as unworkable long ago by other nations with long experience in the field of income taxation. Moreover, it produced disappointingly little revenue in proportion to the total flow of income from the United States to foreign sources shown by the best statistics available upon the balance of international payments. The attempts made to collect taxes imposed by law upon capital gains resulting from transactions of foreigners on our stock and commodity exchanges produced little revenue, drove business away to foreign exchanges to the prejudice of American brokers and our stamp tax revenue, and discriminated against a minority of alien taxpayers who were caught with property in the United States from which collection could be made.

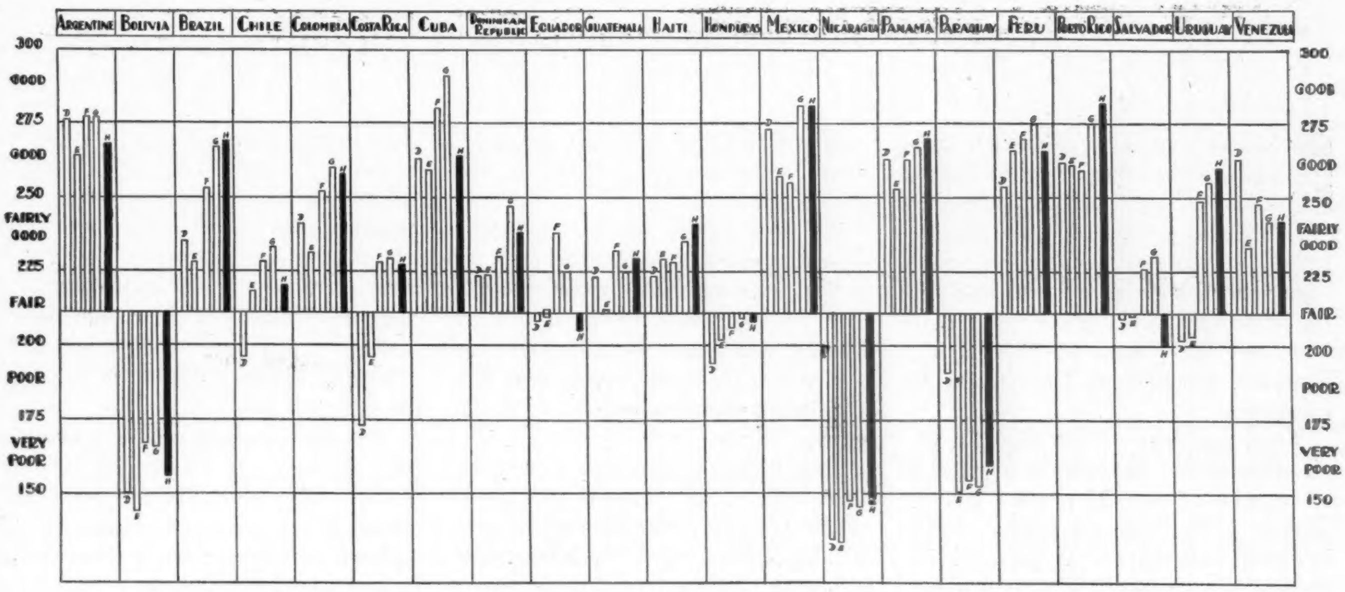
I am convinced that any revenue system built essentially upon the cooperation of the taxpayer in filing an honest return of income is doomed to fail, as applied to nonresident aliens.

Only limited vestiges of the old system remain in the new revenue act. Nonresident aliens doing business or having a place of business in the United States remain subject to regular individual normal and surtaxes upon all income from United States sources, including capital gains, and are entitled to claim the appropriate deductions and credits, including the thousand dollar personal exemption, in arriving at net income.

Tax withheld at the source may be taken as a credit against tax shown due on the return, with a right to refund to the extent of any overpayment. But buying or selling upon a stock or commodity exchange in the United States through a resident broker, commission agent, or custodian or performance of services in the United States for a limited period on behalf of a nonresident alien employer does not of itself constitute engaging in trade or business in the United States. Similarly, foreign corporations engaged in trade or business or having an office or place of business in the United States are taxed only upon their net income from United States sources, collected on a return basis, but at an increased rate of twenty-two per cent. (*Cont. on p.* 29)

Latin-American survey

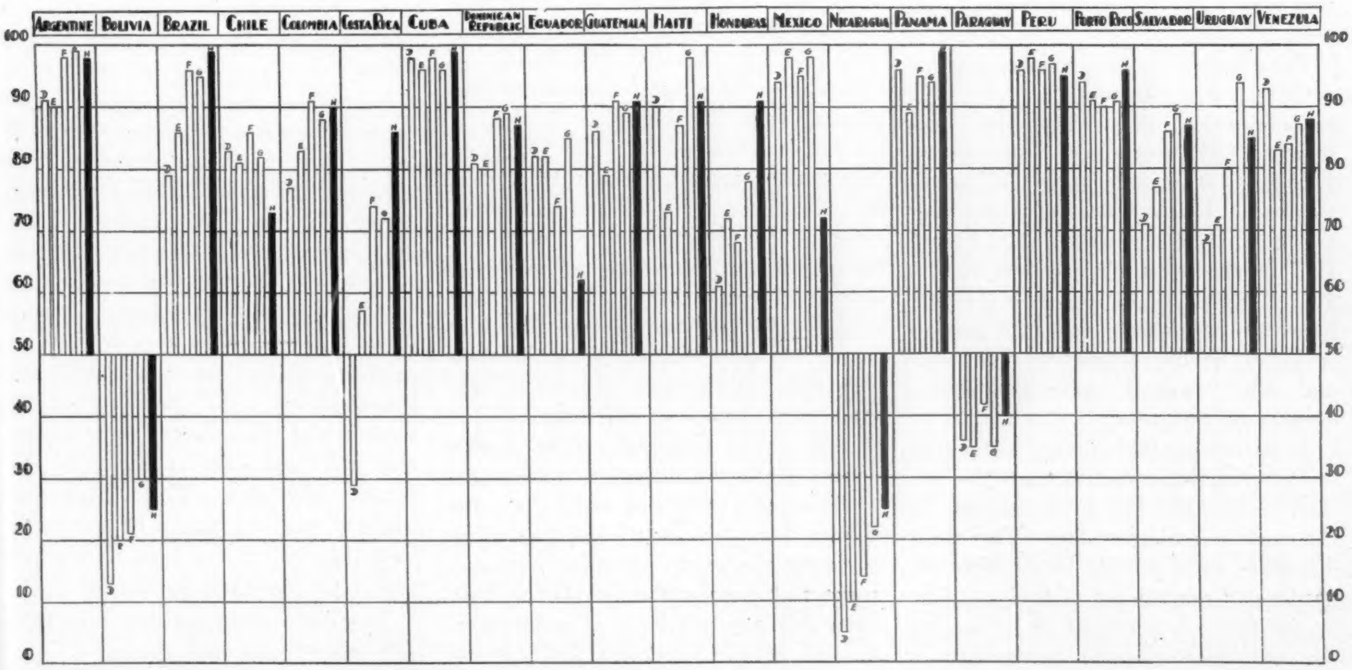
by W. S. SWINGLE, Director, Foreign Department, N. A. C. M.



KEY—D: 3rd Quarter, 1935, E: 4th Quarter, F: 1st Quarter, 1936, G: 2nd Quarter, H: 3rd Quarter

Credit conditions in twenty-one Latin-American countries scaled on the basis of the credit condition index figures which express mathematically the combined opinions of individual reports on each country. (above)

Collection conditions in twenty-one Latin-American countries at five different periods. The scale numbers are based on the percentage of reports of prompt collections for each country in each survey. (below)



The business thermometer:

Manufacturers and wholesalers sales and collections show rise over year ago in September, 1936

Marked gains in total net sales and a higher rate of collections on accounts receivable in September, 1936, as compared with September a year ago were reported by manufacturers in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce, Department of Commerce.

Total net sales of 585 manufacturers throughout the country registered an increase of over 25 percent in September, 1936, from September, 1935. Without adjustment for seasonal influences, September, 1936, sales registered an increase of over 3 percent from August of this year.

Total sales increased in September, 1936, over the same month last year for all of 15 industry groups shown in the report. The increases ranged from 12 percent for textiles and their products to over 46 percent for iron and steel and their products. Increases in September, 1936, sales over September, 1935, for stone, clay and glass products, machinery, and non-ferrous metals also were high, each exceeding 35 percent.

Percentages of collections on accounts receivable submitted by 542 manufacturers were higher for September, 1936, than for September a year ago but slightly under August of this year. During September this year the manufacturers reporting collected 80.7 percent of their accounts receivable outstanding on the first of that month as compared with 77.8 percent collected during September last year and 81.7 percent collected during August of this year.

In reflecting the average experience of the reporting establishments the median percentage has been selected as the most suitable average. This average gives equal weight to all firms regardless of the volume of business done as the figure is obtained by arranging the individual collection percentages in order of size and selecting the middle item. This procedure tends to minimize fluctuations.

Thirteen of the 15 industry groups shown reported a higher average collection percentage for September, 1936, than for September, 1935. The forest products and stone, clay and glass products groups registered the greatest relative increases in collections over this period.

The highest collection percentages were reported by the meat packing industry, the figures for each of the three months covered exceeding 100 percent, indicating that customers of the reporting meat packers took less than 30 days on the average to pay for their purchases. The percentage of 169.9 for September, 1936, indicates that the accounts owing to the reporting meat packers on September 1, were paid on an average of 18 days.

Value of wholesale trade increased noticeably in September, 1936, from September, 1935, and collections on accounts receivable were made at a higher rate over this period according to reports of wholesalers in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce, Department of Commerce.

Total net sales of 1176 reporting wholesalers increased about 18 percent in September, 1936, from September, 1935, a continuation of a change recorded for every month of this year over the corresponding month of last year. Without adjustment for seasonal influences, September, 1936, sales registered an increase of over 7 percent from August of this year.

All of the wholesale trade groups shown in this report had increased sales in September this year over the same month last year with building lines showing the most favorable improvement and consumption goods the least favorable improvement. The increases ranged from 4.3 percent for clothing and furnishings to 46.5 percent for machinery, equipment and supplies. Plumbing and heating equipment and supplies and electrical goods wholesalers averaged increases in sales of over 35 percent. In comparison with August, 1936, 17 of the groups showed increases; and 4 showed decreases, the decreases being negligible in degree, 2 percent and less.

Results presented separately by certain geographical regions indicate that sales in September as compared with September a year ago increased in all sections of the country for the wholesale trade groups shown. Increases greatly in excess of the average for certain trades were shown in a number of regions, particularly in the Mountain and Pacific States, Southeastern States, and East North Central States.

Percentage of collections on accounts receivable submitted by 585 wholesalers were higher in September this year than in September last year but exactly the same as in August this year. In September, 1936, 76 percent of accounts receivable were collected as compared with 71.3 percent for September a year ago and 76 percent for August, 1936.

Sixteen of the 20 wholesale groups reporting showed a higher average collection percentage for September, 1936, than for September 1935. The greatest relative increases in collections from a year ago were registered by paint and varnish and shoe wholesalers.

The highest collection percentages were shown by the meats and meat products group, the median collection figures being 126.2 percent for September and 132.9 percent for August this year and 132.1 percent for September last year. These percentages indicate that customers of these firms took less than thirty days, on the average, to pay for their purchases.

Detailed figures are presented in the following tables and charts:

Sales and collections on accounts receivable of reporting WHOLESALERS in 21 kinds of business September 1936

Kinds of business	Number of firms reporting sales	Sales reported: Thousands of dollars, Sept. 1936	Sales reported: Thousands of dollars, Sept. 1935	Sales reported: Thousands of dollars, Aug. 1936	Sept. 1936 percentage change from: Sept. 1935	Sept. 1936 percentage change from: Aug. 1936	Number of firms reporting collections	Percent* of collections during month to accounts receivable at beginning of month — Median percentages: Sept. 1936	Sept. 1935	Aug. 1936
Automotive supplies	61	2,072	1,686	1,967	+22.9	+ 5.3	30	61.0	56.1	65.3
Clothing and furnishings except shoes	22	2,601	2,493	2,456	+ 4.3	+ 5.9	11	53.0	48.0	53.5
Shoes and other footwear	44	18,242	14,846	16,528	+22.9	+10.4	15	39.0	34.3	36.4
Coal**	—	—	—	—	—	—	—	—	—	—
Drugs and drug sundries	92	15,436	13,499	14,274	+14.3	+ 8.1	23	85.0	79.0	80.6
Drygoods	93	19,805	16,246	18,378	+21.9	+ 7.8	24	44.6	41.7	45.5
Electrical goods	98	8,974	6,578	8,657	+36.4	+ 3.7	27	74.5	72.2	77.9
Farm products (consumer goods)	26	3,344	2,838	3,213	+17.8	+ 4.1	25	99.0	99.0	101.2
Furniture and housefurnishings	36	2,590	2,045	2,191	+26.7	+18.2	14	52.5	52.0	52.5
Groceries and foods, except farm products	287	42,321	38,862	40,324	+ 8.9	+ 5.2	185	99.0	91.7	97.7
Meats and meat products	20	9,073	8,261	8,557	+ 9.8	+ 6.0	18	126.2	132.1	132.9
Hardware	146	20,320	16,472	18,130	+23.4	+12.1	36	54.3	50.5	53.1
Jewelry and optical goods	15	850	598	543	+42.1	+56.5	—	—	—	—
Lumber and building material	18	1,229	985	1,230	+24.8	— 0.1	16	59.0	58.7	57.2
Machinery, equipment and supplies, except electrical	31	2,588	1,766	2,612	+46.5	— 0.9	27	64.7	64.1	69.0
Metals	8	399	303	368	+31.7	+ 8.4	6	58.8	57.1	56.5
Paints and varnishes	8	3,192	2,539	2,942	+25.7	+ 8.5	7	72.2	62.2	64.7
Paper and its products	87	6,632	5,798	5,882	+14.4	+12.8	39	71.7	64.0	70.8
Petroleum and its products	8	5,178	4,397	5,189	+17.8	— 0.2	8	83.0	78.5	83.7
Plumbing and heating equipment and supplies	36	2,576	1,839	2,368	+40.1	+ 8.8	31	61.0	61.2	65.0
Tobacco and its products	12	1,183	1,114	1,207	+ 6.2	— 2.0	12	108.2	113.0	114.5
Miscellaneous, total	28	3,398	2,705	3,154	+25.6	+ 7.7	31	69.0	64.3	68.0
Leather and leather goods**	—	—	—	—	—	—	—	—	—	—
Beer, wines and spirituous liquors**	—	—	—	—	—	—	—	—	—	—
Total	1,176	172,003	145,870	160,070	+17.9	+ 7.5	585	76.0	71.3	76.0

*These figures should not be related to sales figures for current month. They represent only ratio of collections during that month to accounts receivable at beginning of month. The wide differences existing between the percentages for various kinds of business are due principally to variations in terms of sales.

**Insufficient number of reports at present to show results separately; figures now included with Miscellaneous.

Sales and collections on accounts receivable of reporting WHOLESALERS in 8 kinds of business, by geographic regions September 1936

(Results shown only for those trades having a sufficient number of reports for one or more regions*)

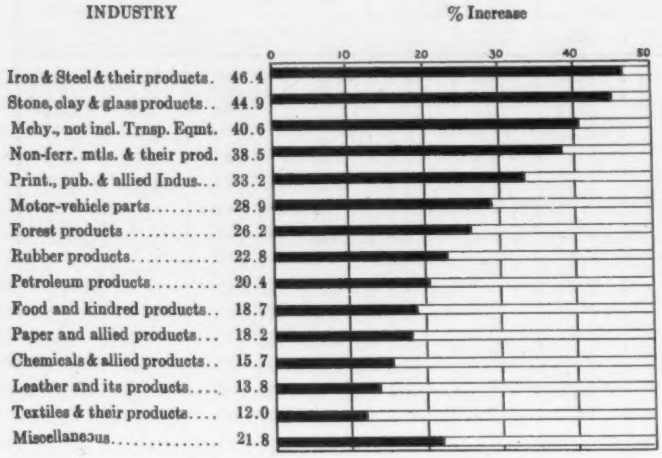
Kind of business and region	Number of firms reporting sales	Sales reported: Thousands of dollars, Sept. 1936	Sales reported: Thousands of dollars, Sept. 1935	Sales reported: Thousands of dollars, Aug. 1936	Sept. 1936 percentage change from: Sept. 1935	Sept. 1936 percentage change from: Aug. 1936	Number of firms reporting collections	Percent* of collections during month to accounts receivable at beginning of month — Median percentages: Sept. 1936	Sept. 1935	Aug. 1936
Automotive supplies, total	61	2,072	1,686	1,967	+22.9	+ 5.3	30	61.0	56.1	65.3
East North Central	11	478	378	371	+26.5	+28.8	11	61.0	56.0	62.0
Mountain and Pacific	38	990	809	936	+22.4	+ 5.8	8	60.9	56.5	66.0
Shoes and other footwear, total	44	18,242	14,846	16,528	+22.9	+10.4	15	39.0	34.3	36.4
Middle Atlantic	12	2,026	1,768	1,813	+14.6	+11.7	—	—	—	—
West Central	10	12,305	10,197	11,359	+20.7	+ 8.3	—	—	—	—
Drugs and drug sundries, total	92	15,436	13,499	14,274	+14.3	+ 8.1	23	85.0	79.0	80.6
East North Central	21	2,095	1,816	1,860	+15.4	+12.6	—	—	—	—
West Central	26	3,732	3,314	3,390	+12.6	+10.1	—	—	—	—
Southeastern	18	1,821	1,547	1,613	+17.7	+12.9	—	—	—	—
Mountain and Pacific	15	4,394	3,631	3,965	+21.0	+10.8	—	—	—	—
Dry goods, total	93	19,805	16,246	18,378	+21.9	+ 7.8	24	44.6	41.7	45.5
Middle Atlantic	19	3,742	2,921	3,209	+28.1	+16.6	—	—	—	—
East North Central	10	1,619	1,361	1,261	+19.0	+28.4	—	—	—	—
West Central	20	8,821	7,310	8,952	+20.7	— 1.5	—	—	—	—
Southeastern	25	4,298	3.413	3,640	+25.9	+18.1	10	40.6	37.1	41.9
Mountain and Pacific	17	1,304	1,216	1,301	+ 7.2	+ 0.2	—	—	—	—
Electrical goods, total	98	8,974	6,578	8,657	+36.4	+ 3.7	27	74.5	72.2	77.9
Middle Atlantic	8	720	516	607	+39.5	+18.6	—	—	—	—
East North Central	48	3,488	2,429	3,222	+43.6	+ 8.3	—	—	—	—
West Central	11	966	729	955	+32.5	+ 1.2	—	—	—	—
Mountain and Pacific	19	2,045	1,856	2,540	+29.6	— 5.3	—	—	—	—
Groceries and foods, total	287	42,321	38,862	40,224	+ 8.9	+ 5.2	185	99.0	91.7	97.7
Middle Atlantic	59	11,736	10,631	10,686	+10.4	+ 9.8	38	99.0	84.8	96.8
East North Central	61	9,436	9,204	9,223	+ 2.5	+ 2.3	34	93.0	85.1	97.4
West Central	74	8,719	8,311	8,806	+ 4.9	— 1.0	47	106.8	94.0	97.1
Southeastern	48	3,455	2,946	3,183	+17.3	+ 8.5	31	94.3	82.5	90.0
Mountain and Pacific	38	8,598	7,411	7,952	+16.0	+ 8.1	29	109.4	102.0	106.0
Hardware, total	146	20,320	16,472	18,130	+23.4	+12.1	36	54.3	50.5	53.1
Middle Atlantic	25	1,737	1,322	1,415	+31.4	+22.8	—	—	—	—
East North Central	23	4,637	3,780	3,979	+22.7	+16.5	—	—	—	—
West Central	39	5,321	4,778	4,842	+11.4	+ 9.9	—	—	—	—
Southeastern	32	3,207	2,485	3,078	+29.1	+ 4.2	13	45.0	44.4	49.9
Mountain and Pacific	23	5,152	3,675	4,582	+40.2	+12.4	—	—	—	—
Paper and its products, total	87	6,632	5,798	5,882	+14.4	+12.8	39	71.7	64.0	70.8
Middle Atlantic	23	1,521	1,408	1,360	+ 8.0	+11.8	—	—	—	—
East North Central	17	1,548	1,328	1,409	+16.6	+ 9.9	14	71.4	61.0	69.9
West Central	11	444	385	433	+15.3	+ 2.5	9	74.0	76.0	70.0
Mountain and Pacific	26	2,584	2,246	2,184	+15.0	+18.3	—	—	—	—

*States comprising regions: New England (Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut)
Middle Atlantic (New York, New Jersey, and Pennsylvania)
Southeastern (Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Kentucky, Tennessee, Alabama, and Mississippi)
East North Central (Ohio, Indiana, Illinois, Michigan, and Wisconsin)
West Central (Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas, Arkansas, Louisiana, Oklahoma, and Texas)
Mountain and Pacific (Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Washington, Oregon, and California)

PERCENTAGE OF INCREASE IN SALES OF 585 MANUFACTURERS

IN 15 INDUSTRIES

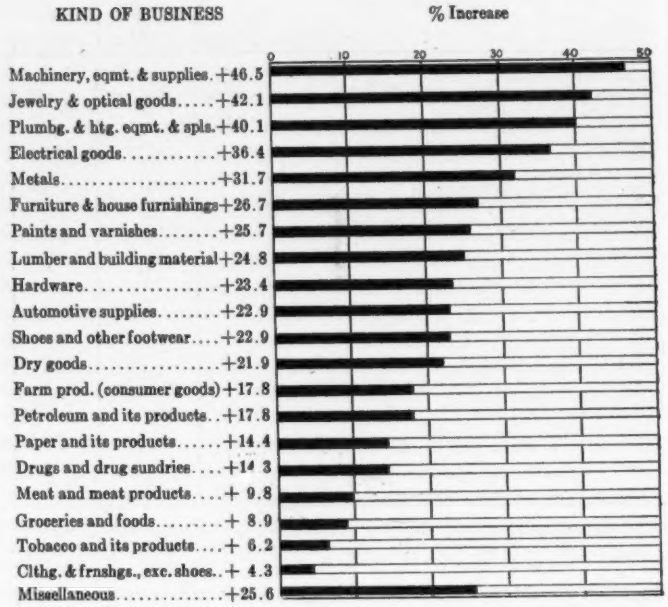
SEPTEMBER 1936 COMPARED WITH SEPTEMBER 1935



PERCENTAGE OF INCREASE IN SALES OF 1176 WHOLESALERS

IN 21 KINDS OF BUSINESS

SEPTEMBER 1936 COMPARED WITH SEPTEMBER 1935



Sales and collections on accounts receivable of reporting MANUFACTURERS in 15 industries September 1936

Industry	Number of firms reporting sales	Sales reported: Thousands of dollars, Sept. 1936	Sales reported: Thousands of dollars, Sept. 1935	Sales reported: Thousands of dollars, Aug. 1936	Sept. 1936 percentage change from: Sept. 1935	Sept. 1936 percentage change from: Aug. 1936	Number of firms reporting collections	Percent* of collections during month to accounts receivable at beginning of month — Median percentages: Sept. 1936	Sept. 1935	Aug. 1936
Food and kindred products, total	116	32,556	27,420	30,227	+18.7	+ 7.7	109	102.0	100.3	113.0
Confectionery and flavoring extracts	18	2,825	2,609	1,731	+ 8.3	+63.2	17	101.2	91.3	97.0
Flour, cereals and other grain mill products	19	8,499	7,304	8,212	+16.4	+ 3.5	18	107.0	99.5	103.0
Meat packing	16	5,766	4,720	5,237	+22.2	+10.1	14	169.9	144.6	168.2
Textiles and their products, total	87	33,058	29,511	31,879	+12.0	+ 3.7	78	64.1	63.9	69.6
Clothing, men's, except hats	23	4,880	4,514	4,973	+ 8.1	− 1.9	21	47.4	47.9	46.0
Clothing, women's, except millinery	17	2,000	1,890	2,202	+ 5.8	− 9.2	15	63.1	62.6	74.0
Knit goods	19	4,155	3,615	3,448	+14.9	+20.5	17	66.0	58.8	66.0
Forest products, total	28	2,802	2,220	2,521	+26.2	+11.1	27	68.0	57.5	65.0
Furniture	19	2,209	1,828	1,921	+20.8	+15.0	19	63.8	56.0	58.9
Lumber, timber and other miscellaneous forest products	9	593	392	600	+51.3	− 1.2	8	68.2	72.8	74.9
Paper and allied products, total	48	9,628	8,146	9,435	+18.2	+ 2.0	46	91.3	89.0	90.7
Paper, writing, book, etc.	14	3,330	2,887	3,454	+15.3	− 3.6	14	89.5	89.5	89.5
Paper boxes and other paper products	34	6,298	5,259	5,981	+19.8	+ 5.3	32	94.7	88.2	92.9
Printing, publishing, and allied industries	9	678	509	586	+33.2	+15.7	8	71.4	66.0	67.0
Chemicals and allied products, total	43	7,965	6,884	8,576	+15.7	− 7.1	42	68.0	61.2	70.3
Paints and varnishes	22	2,572	2,226	2,664	+15.5	+ 3.5	21	54.0	50.0	61.0
Pharmaceuticals and proprietary medicines	11	1,159	1,072	1,104	+ 8.1	+ 5.0	11	85.0	82.0	75.5
Petroleum products	12	49,865	41,401	51,022	+20.4	− 2.3	9	79.5	73.5	80.6
Rubber products	10	3,248	2,645	3,244	+22.8	+ 0.1	7	76.8	69.5	85.0
Leather and its products, total	31	10,394	9,136	10,508	+13.8	− 1.1	28	50.3	50.7	55.3
Boots and shoes	22	8,610	7,559	8,628	+13.9	− 0.2	19	45.5	48.1	48.0
Stone, clay and glass products	22	7,608	5,252	7,285	+44.9	+ 4.4	22	87.5	75.2	86.3
Cement**	—	—	—	—	—	—	—	—	—	—
Iron and steel and their products, total	58	42,520	29,041	40,224	+46.4	+ 5.7	55	83.6	82.0	83.9
Hardware	12	2,385	1,731	2,291	+37.8	+ 4.1	12	79.8	79.0	80.5
Stoves, ranges, and steam heating apparatus	9	1,290	988	1,064	+30.6	+21.2	7	83.7	81.0	73.0
Other iron and steel products	37	38,845	26,322	36,869	+47.6	+ 5.4	36	83.0	85.3	85.2
Non-ferrous metals and their products	11	3,249	2,346	3,065	+38.5	+ 6.0	12	69.4	75.8	74.2
Machinery, not including transportation equipment, total	56	26,933	19,158	24,728	+40.6	+ 8.9	50	72.9	72.8	79.3
Electrical machinery, apparatus and supplies	22	18,653	13,676	16,973	+36.4	+ 9.9	20	84.5	78.1	88.9
Other machinery; foundry products	34	8,280	5,482	7,755	+51.0	+ 6.8	30	69.1	70.4	74.9
Motor-vehicle parts	14	5,100	3,956	4,867	+28.9	+ 4.8	12	94.7	87.5	94.3
Miscellaneous industries	40	7,466	6,129	6,692	+21.8	+11.6	37	75.0	68.6	74.4
Total	585	243,070	193,754	234,859	+25.5	+ 3.5	542	80.7	77.8	81.7

*These figures should not be related to sales figures for current month. They represent only ratio of collections during that month to accounts receivable at beginning of month.

**Insufficient number of reports at present to show results separately; figures now included with industry group total.

Burroughs

SHORT-CUT KEYBOARD

FEWER MOTIONS MEAN SPEED AND ACCURACY

Many concerns are finding the short-cut way of figuring both simple and practical. Naturally it results in greater sustained speed, because there's less to do. Naturally it is more accurate, because with fewer operations to perform there are fewer chances for error.

Let the Burroughs representative show you in your own office and on your own work what these savings can actually mean to you. Telephone the local Burroughs office. Or, if more convenient, write direct for free, illustrated, descriptive booklet.

BURROUGHS ADDING MACHINE CO. • DETROIT, MICH.

ADDING, ACCOUNTING, BILLING AND CALCULATING MACHINES
CASH REGISTERS • TYPEWRITERS • POSTURE CHAIRS • SUPPLIES

ELIMINATES NEEDLESS MOTIONS

```
      *
  24.50
   1.35
  10.45
  53.60
   2.55
  25.00
 350.00
6,712.70
  13.00
  59.00
```

THE 10 TYPICAL AMOUNTS ON THIS TAPE WERE LISTED AND ADDED IN ONLY 11 OPERATIONS

1. Because two or more keys, together with the motor bar, can be depressed simultaneously on the Short-Cut Keyboard.
2. Because there is no cipher key to depress on the Short-Cut Keyboard. Ciphers print automatically.

By using the Burroughs short-cut method the operator can list and add entire amounts in one operation. For example—the first amount ($24.50) was listed and added by depressing the "2" key, the "4" key, the "5" key and the motor bar—*all in one single operation.*

Had each key and the motor bar been depressed separately—and had there been a cipher key to depress—it would have required 51 operations instead of 11 to list and add the 10 amounts shown on the tape above. Thus the Burroughs short-cut method eliminates 40 operations.

Think how many needless motions the short-cut method would eliminate in handling hundreds or thousands of amounts. Think how much time and effort it could save in your business. Investigate today!

This month's collectors:

Submitted for the approval of our readers

by J. L. VESPER, Credit Manager, Walker T. Dickerson Co., Columbus, O.

PULLING TOGETHER

We are in the midst of another Football Season.

Touchdown
—Touchdown
—Touchdown

This is the thought of millions of rooters, each hoping their side will win.

Our coach—Mr. Budget expects us to win our November game and it takes all the players of our team to help make those Touchdowns.

You are one of the players on our team and we know you will play your position 100 per cent.

HOW . . . by effective tackling of all those Past Due Invoices . . . with Checks for payment in full between the 12th and 19th of November.

Yours for 100 per cent playing,

The WALKER T. DICKERSON Co.

Credit Dept.

COURTESY NOTICE

Gang, we're in the 3rd quarter of our November game and Coach Budget is counting on us to win it. We just can't let him down.

Listen:—Let's show him on this play with perfect blocking of those invoices Past Due (prior to October 15th) that your check by return mail will turn the trick.

Signal called—Lateral Play.

Hike—$12-34-56-78-90 (pick 'em out).

Now for that Touchdown

Quarterback W. T. D. Team

COURTESY NOTICE

WHAT A GAME—

We're leading by one Touchdown with 4 minutes to go (4 days before December 1st.)

Let's go—you're still in the game, and check via the forward pass route (to reach us by Saturday) will put the game on ice for a final win and another Championship.

Yours for a 1000% standing

P. S. The old headgear and togs will go to the moth balls until next season.

"During the months of 1935 these three collection notices were sent to our customers. The notice "Pulling Together" was first attached to all the statements sent out around November 7th and courtesy notices No. 2 and No. 3 were sent out subsequently.

"We budget our collections monthly and these series of notices enabled us to collect, during the month of November, 1935, $21,000.00 over our budget. I believe that this extraordinary showing in our collections is due to the understanding of football by the American public in general, and the principle of cooperation necessary to make a good football team is applicable to debtor and creditor in any business. Also, getting them away from the regular stereotyped form of collection letters once or twice a year, I find, aids very materially in changing the attitude, creating a better understanding of credit between debtor and creditor," Mr. Vesper writes us in submitting his three successful money-getters of a year ago.

A great deal of collection letter writing however can be obviated if proper care is taken in analysis of credit responsibility. The most fundamental, up-to-date method ever devised for knowing just how worthy your credit applicant is as a risk, has achieved foremost standing among credit executives because it is based on the current record. There is no substitute for Credit Interchange reports.

Jury deadlocks in mock Robinson - Patman test

A "hopeless deadlock" of the jury resulted at the mock trial of a fictitious case under the Robinson-Patman Anti-Price Discrimination Act, held under the auspices of the Sales Executives' Club of New York recently.

After numerous ballots, the jury reported to former Justice Stephen Callaghan, who presided, that it was unable to reach a verdict in the case, which supposedly would have opened the way to recover more than $6,000,000 in triple damages as the result of alleged price discrimination.

The "test" case, centering on issues similar to those in complaints recently filed under the act by the Federal Trade Commission, purported to represent an appeal to the courts by the "Jackson Stove Company, Oswego, N. Y." from a cease and desist order issued by the "Federal Business Commission," alleging a price discrimination on the sale of stoves to the "Wallace Company," a large chain store organization. The complainant was the "S. L. Henderson Company," Monoto, Pa., an independent retail establishment, which charged its business was being ruined by the "illegal discrimination against it in favor of the 'Wallace Company.'"

In an effort to make the trial as realistic as possible, a prologue and a series of blackouts were used to dramatize the events leading up to the trial, while the court proceedings were conducted by outstanding legal authorities. Officials of the club estimated that the cost of the legal talent, etc., in an actual court case would have approximated $100,000.

Thomas McFadden, law partner of Colonel W. J. Donovan, and Thurlow Gordon of Wright, Gordon, Zachary & Parlin, acted as attorneys for the Federal Business Commission. Blackwell Smith of the same law firm and former NRA general counsel, was the legal representative of the Jackson Stove Company. Wheeler Sammons, managing director of the Institute of Distribution, played the part of president of the Jackson Stove Company, while William H. Ingersoll of Ingersoll & Norvell served as head of the Henderson Company and W. J. Parker as president of the Wallace Company.

The testimony at the trial centered on the fact that the Jackson Company sold its stoves to the Wallace Company at lower prices than to the Henderson Company, with the stove concern justifying its differential on the ground of lower costs. The price difference in favor of the Wallace Company was 27.4 per cent, whereas the Federal Business Commission, through a reallocation of the stove company's cost figures, found a "real difference" of only 18.2 per cent, thus alleging an illegal difference of 9.2 per cent.

It was brought out that the Wallace Company bought two types of stoves from the Jackson Company, one the "regular" line and another which it sold under the "Wallace" name and on which it conducted a heavy promotional campaign. The independent retailer, the Henderson Company, which has been in business since the Civil War, its president said, was unable to meet this underselling competition and steadily lost ground in sales and profits to its chain-store rival.

Defense counsel for the Jackson Stove Company doubted the "knowledge or the power of the Federal Business Commission legally to regulate what a manufacturer must charge to customers, because the act says that he need not charge a customer for savings resulting from the differing way that customer's orders are placed, handled, made and delivered." The act, according to the defense lawyers, permits manufacturers to choose their customers, "with the Constitution assuring them that right."

The defense attorneys stressed their view that the Patman law "in reality will prove of little help to small independent retailers and will impose a severe handicap on efficient, economical large-scale production and distribution." In the case of the Jackson Company alone, they said, it would result in higher prices of more than $700,000 to consumers for their stoves.

The jury was supposed "to have struggled vainly for eight hours" to assist the presiding judge and associates to determine whether the Jackson Company had discriminated unlawfully against its smaller customer, the Henderson Stove Company. The "hung jury" outcome was held typical of the perplexed state of mind of the average business man with respect to the price law.

Do You

"He jests at scars that never felt a wound." The man who never suffered a loss seldom appreciates the important part insurance plays in safeguarding American business. Such a man probably is unfamiliar with transportation insurance, or even business interruption insurance. It's almost certain he knows nothing about extra expense insurance. He should know these modern coverages. If you are such a man ask us for information.

SINCE 1854

THE PHOENIX INSURANCE COMPANY
OF HARTFORD, CONNECTICUT

Cash Capital, . . . $6,000,000.00
Surplus to Policyholders, $30,839,324.64

Jest At

Jest at insurance and you make a joke of your business acumen. The only man who can afford to smile is the one who is properly protected at time of loss. The way to find out if you are properly insured is take advantage of our insurance analysis service. No charge. Write.

SINCE 1850

The Connecticut
FIRE INSURANCE CO.
OF HARTFORD, CONNECTICUT

Cash Capital, . . . $2,000,000.00
Surplus to Policyholders, $15,070,293.55

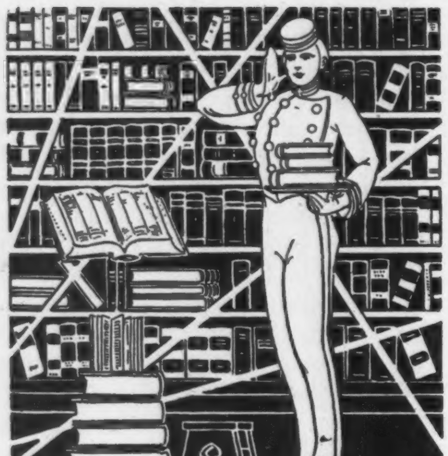
Scars

Scars come as a result of wounds. Business wounds, the result of fire, windstorm or explosion, leave no scars when insurance is properly applied. Write.

SINCE 1859

EQUITABLE
Fire & Marine Insurance Company
PROVIDENCE, R.I.

Cash Capital, . . . $1,000,000.00
Surplus to Policyholders, $5,431,263.89



Paging  books

The case for and against Mr. Roosevelt

HALF WAY WITH ROOSEVELT. By Ernest K. Lindley. The Viking Press, N. Y., $2.75.

Be you pro-Landon or pro-Roosevelt, this book will make you a more intelligent partisan. If you are the former, it will make you take your stand with logic, not invective; if the latter, you will have a fully-developed argument as to why you are in favor of the New Deal. In either case, it will tend to put your voting on a more rational basis. And in this season of skullduggery and political platitudes, that will be entirely to Mr. Lindley's credit.

The author is not a "New Dealer". He is a Washington correspondent for the decidedly Republican "New York Herald-Tribune". But before going to Washington in 1933 to report President Roosevelt he followed his activities in Albany as Governor for the same paper after a previous connection with the Democratic, but generally anti-Roosevelt, New York World, which passed away in February 1931. Currently, and for the past few months, the author has been "covering" Mr. Landon.

With such a diversified background, what are his conclusions about the President?

Generally, Mr. Lindley is favorable. Points to criticise and methods to condemn there are many, he admits, and he brings them out. But he also dissects the situation facing the "New Deal" in 1933, analyzes the attack of the administration on these problems and weighs the results. The balance, in his viewpoint, favors Mr. Roosevelt.

Of these policies he says:

"I have used the title *Half Way with Roosevelt*. By a longer range view—say five years—his measures are not even half-way measures, of course. He has merely broken through the walls of ice which threatened to crush the ship. All that can be hoped for by those who would prefer a safe and relatively comfortable, if slow, voyage to a mad scramble over the wastes is that the walls of ice do not again close around them."—A. E.

Colonies cost too much

THE BALANCE SHEET OF IMPERIALISM. By Grover Clark. Columbia University Press. New York. $2.75.

Do colonies develop opportunities otherwise unavailable for profitable trade?

Do colonies make available outlets for surplus population?

Do colonies provide raw material sources, thus aiding a nation's security in war and gaining it certain advantages in peace time?

At one time and another in recent years we have heard those three points discussed and it has been rather generally claimed that colonies did provide one or more of these three advantages mentioned above. Whether or not this was true was the concern of Mr. Clark in preparing his book, which was published for the Carnegie Endowment for International Peace.

It is the author's conclusion that colonies do not bring trade advantages, provide outlets for population, or develop valuable sources for raw materials. This conclusion is based not on opinions but on actual facts which Mr. Clark has gathered from many sources. In fact, the larger portion of the book consists of tables concerning colonial expansion, its costs, trade which colonies develop, raw materials from colonies and population migration from the mother-country to the colony.

In the recent Ethiopian campaign, for instance, the claim was made that Italy needed room for expansion. Yet Mr. Clark's figures show that only 7,000 Italians have gone to Africa in the past fifty years, whereas over one million have settled in France alone since the close of the World War. The Italian population of New York City today outnumbers by many times the Italian population in Italy's African colonies.

Germany's experience before the war and many other nation's cases are also cited by the author. In the past fifty years almost twenty million Europeans have left Europe and of this total almost seventeen million have come to the Americas, the rest scattering to all parts of the world. But only 500,000 went to territories controlled by European nations!

In similar fashion the author develops statistics which show that trade from colonies is never of great benefit to the mother-country and that invariably the cost of acquiring the colonies is greater than the value of the colonial trade for many years after the colonies are acquired.

After a study of this publication, it must be obvious to the fair-minded reader that the balance sheets of imperialism are decidedly unbalanced.

—A. E.

The Townsend Plan won't work

THE TOWNSEND CRUSADE. Twentieth Century Fund, Inc., 330 West 42nd Street, New York. 50 cents.

This short and decidedly readable discussion of the Townsend movement has been developed by "The Committee on Old Age Security" of the Twentieth Century Fund of which such prominent men as Newton B. Baker, Edward A. Filene, A. A. Burle, Jr., John H. Fahey, and several others are trustees.

After describing briefly the Townsend movement and its proposals, the study delves into the cost of the old age pension, the taxation method proposed to support the plan, and the effect of this pension system on the

business structure of the country.

In its conclusions, the committee sees one favorable development at least. It is the fact that public attention has been directed to the need for old age security and "even if the Townsend Plan does not survive a friendly study, the movement should be recognized as an expression of faith in the economic possibility of providing adequate security in old age. . . . In exposing the policies of the Townsend Plan the committee has no intention of implying that the crying need of the aged for economic security should not be met as far as is humanly possible within the limitations of our economic system."

But the committee is opposed to the Townsend Plan because it would gravely aggravate the very ills it seeks to alleviate. It believes none of the Plan's claims can be justified economically because whatever purchasing power would be given to the aged under this Plan would have to be taken first from those who would be taxed and thus the nation's purchasing power in its entirety would not be any greater. In effect, it would give to about 10,000,000 people, representing 8% of the entire population, half of our national income.

—A. E.

Among those present:

INFLATION'S TIMING. By D. G. Ferguson and A. H. Lester. American Institute for Economic Research, Cambridge, Mass. $1.00.

A short but remarkably pertinent study of inflation in its various stages with examples from the experience of France, Germany and the United States. The fourth section about warning signals of disaster is especially worthwhile reading.

THE DANGEROUS YEAR. By Raymond L. Buell. Foreign Policy Association, New York. 35c.

After the Italo-Ethiopian War was terminated, Europe for a short period looked forward with relieved eyes to a peaceful situation. And then trouble broke out in Spain. This booklet, based on a tour of four months in Europe, was written several months ago by Mr. Buell. It considers the various political and diplomatic problems in Europe, the dictatorships which are in control in many parts of that continent, and finally asks if the democracies such as France, Britain and the United States will be able to take the lead in finding a solution for the inter-related problems of economic security, social justice and international peace. This is another of the Foreign Policy Association's excellent pamphlets and deserves reading even though 1936, the year which is termed "the dangerous year," is mostly behind us. The problems do not disappear as easily as the months of the year are left behind.

Note: The Foreign Policy Association also publishes a series of semi-monthly "Foreign Policy Reports" that are worth the attention of anyone interested in matters of a commercial nature in other countries. Each report covers a special subject, is written by an authority on the subject, and is generally of about 10 to 15 pages in length. Recent subjects include the menace of Japanese competition, currents of world recovery, our silver policy, our international payments balance, and various other pertinent matters.

The 1936 Revenue Act

(*Continued from page* 20)

All other nonresident aliens, constituting no doubt a great majority, will henceforth be taxed only upon the gross amount of certain designated types of income from United States sources, viz., interest, dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income, such as royalties, at a rate of ten per cent, and such taxes are required to be withheld at the source. This tax is a tax on gross income, no deductions or credits being allowed. Hence there is little or no occasion for refunds.

Capital gains are *not* included. In the case of aliens resident in contiguous countries (Canada and Mexico) the rate may be reduced by treaty to not less than five per cent. Power is vested in the Commissioner to require returns when necessary, but such necessity will exist only in cases, such as interest on tax-free covenant bonds and dividends from foreign corporations deriving fifty per cent or more but less than eighty-five per cent of their gross income from United States sources, where only a part or none of the tax has been withheld at the source.

In the case of nonresident foreign corporations, a tax of fifteen per cent is imposed upon their gross income from the sources within the United States designated above, except that in the case of dividends the tax is at the rate of ten per cent and in the case of foreign corporations chartered under the laws of contiguous countries the rate on dividends may be lowered by treaty to not less than five per cent.

There appears to be no doubt that the new scheme, while not perfect, will be more uniform in its operation and less expensive of administration, less disturbing of business and financial relations, and productive of substantially greater revenue than the old. It is believed to be a large and constructive step in the right direction, though experience will in all probability reveal defects requiring correction and may indicate that a somewhat different rate, perhaps higher, perhaps lower, will yield the maximum revenue.

While therefore the Revenue Act of 1936 has the merit from the Treasury point of view of producing a large additional revenue, it should also operate to close the largest remaining avenue of surtax avoidance and to remove several glaring inequities in the revenue system.

Unearned discounts

(*Cont. from p.* 9) with your next remittance or at your early convenience.

Thanking you, we are,

Very Truly Yours,

RANAL MANUFACTURING COMPANY

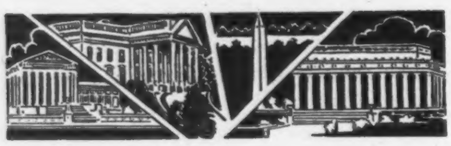
CONCLUSION

On August 10th Lebanon Foundry Company's check for $5.30 was received in full settlement of account.

In his discussion of Unearned Discounts as a factor under the new Federal statute known as the Robinson-Patman act, W. Randolph Mongomery, general counsel of the National Association of Credit Men writes in the 1937 edition of Credit Manual of Commercial Laws:

"While there is serious doubt as to whether or not cash discounts are within the meaning of the word "price" as used in the act, the taking of unearned discounts is believed by many to be a violation of the provisions against price discrimination. Refusal of a seller to condone the taking of an unearned discount, either by returning the check or by billing the customer for the amount unlawfully deducted, would seem sufficient to clear him of complicity."

CAPITAL LETTERS



Being a monthly letter about items of special interest to you as a credit executive, from the nation's capital, by the Manager of the N. A. C. M.'s Washington Service Bureau.

Dear Reader:—

As expected, Congressman Patman, co-author of the *ROBINSON-PATMAN ACT*, has announced his plans to introduce at the next session of Congress a bill to prevent manufacturers from engaging in retailing. The purpose of the proposed legislation, as stated in the preamble of the bill, is "to protect Congress from restraints and monopolies which result in certain cases where persons are concerned with both the manufacturing and retailing of articles and material." The bill then proceeds to make unlawful for any manufacturer or his affiliate to transport or cause to be transported any article produced by the manufacturer for sale or distribution at retail by the manufacturer or by an affiliate.

The bill further contains very rigid definitions of the various terms used in the bill to prevent any possible escape from the above mentioned objective of the legislation.

The bill, which would amend the Clayton Act, would take effect three years after its enactment.

You will undoubtedly wish to follow very closely the action of the Federal Trade Commission in connection with three complaints charging violations of the *ROBINSON-PATMAN ACT* which have been issued by the Federal Trade Commission. These are the first complaints which have been issued in connection with this new legislation. In all three of the complaints a violation of Section 2 (a) of the Act is alleged; in one complaint a violation of Section 2 (f) is also alleged. In two of the complaints manufacturers of cheese are named as respondents. In the third complaint a manufacturer of floor covering and a large mail-order house are named as respondents.

The *SOCIAL SECURITY BOARD* has announced an arrangement with the Post Office Department for the commencement, around the middle of November, of procedure to set up initial wage records and the assignment of Social Security account numbers to an estimated 26,000,000 American workers for whom Federal Old-Age Benefits will begin to accrue next January 1.

While details of this cooperative plan have not yet been disclosed, the objective of the plan as stated by the Social Security Board, is to accomplish maximum coordination and the use of existing facilities and trained government personnel in the work of establishing accounts for these millions of workers. The Social Security Board has already announced that the setting up of these records and the assignment of account numbers will involve the filling out of an applicant form by the individual employee, the making of a permanent office record based on the application, and the return to the individual worker of a card certifying that an account has been set up in his name. Details of the plan which is now being worked out by the Social Security Board and the Post Office Department will be announced later.

If your company is interested in supplying material on *W. P. A. PROJECTS* you will be interested in the recent requirement by the government of a twenty day discount period from suppliers of material on these jobs.

The Procurement Division of the Treasury Department, which is in charge of W. P. A. purchases, recently advised the State Procurement Officers located in each state to use the twenty day period in determining awards of contracts. This was done, the writer was informed, because of the fact that shorter discount periods did not give the Procurement Officers in some states enough time to make the required inspection of the material and handle the payment procedure. As a result, a number of payments were suspended by the General Accounting Office and that action led to the recently announced policy requiring the longer discount period.

The Procurement Division has made it clear that if the successful bid specifies a shorter discount period the government will avail itself of it if possible. In other words, twenty days will be the minimum period used in determining awards but the government will avail itself of any shorter discount period which is offered if it can do so.

State Procurement Officers have been advised to enforce this policy whenever conditions within the state justify it. It would appear, therefore, that in some of the smaller states enforcement of the policy will depend upon the discretion of the State Procurement Officer.

The government is reported to be giving serious consideration to plans to improve and speed up the work in the *GENERAL ACCOUNTING OFFICE* so that the long delays which are being experienced in connection with claims and other matters handled by that office will be materially reduced. Partly because of the additional burden of work thrown upon the General Accounting Office by the new agencies of the government the procedure in the office has been greatly slowed down and companies which are owed money by the government are frequently forced to wait for months before receiving payment, sometimes because of some comparatively trivial difficulty which requires that the whole transaction be passed through the procedure of the General Accounting Office.

Among the changes which have been

suggested are a reduction in the G. A.O.'s legal staff, greater acceptance of the recommendations of the department or bureau concerned in the transaction, the establishment of an advisory board of private experts who could be consulted on technical questions and the elimination of much of the trivial work which is contributing to the present situation.

May I again request readers to give their careful consideration to the aspect of the *REVENUE ACT of 1936* described in the article entitled "Extension Agreements Hit by New Tax Law" in the October issue of *CREDIT AND FINANCIAL MANAGEMENT?* The efforts which are being made by your Association to remove the discrimination in that Law against corporations which are being operated in connection with creditors' agreements, will be greatly aided by letters from you indicating your opinion of the situation and containing suggestions as to how the Law should be amended. This is a matter of the utmost importance to every credit executive, not only because of the adverse affect of the Law in question but because of the unsound principle involved.

Yours truly,
C. F. Baldwin

So he wrote a letter . . .

(*Cont. from p.* 15) I beg thy permission to remain thy friend and well wisher, Joseph Mypoodle."

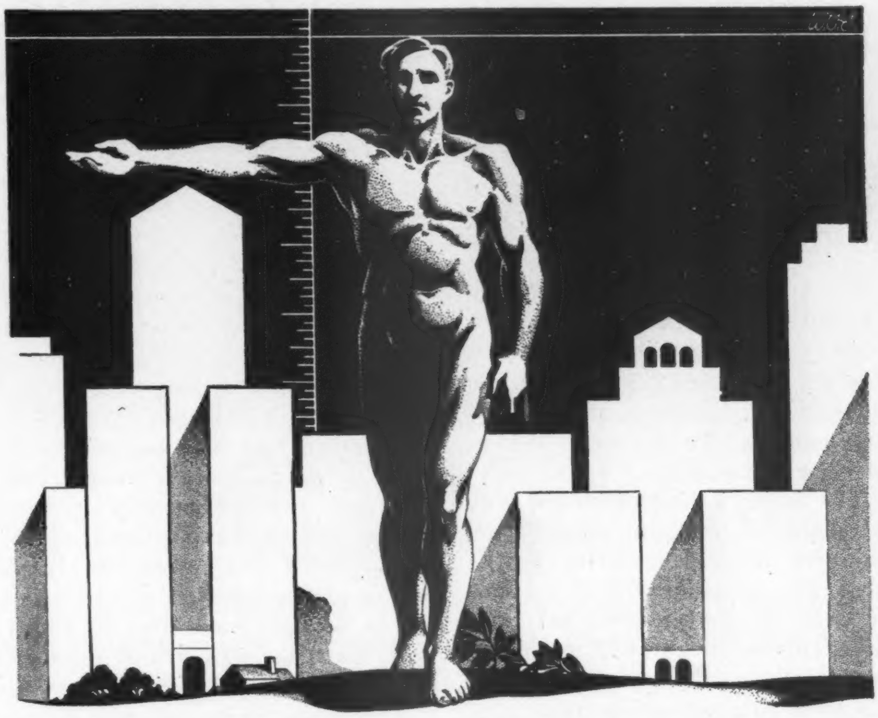
Now, Joseph had also said, "Mine eyes are moved to tears when I hear of thy plight and the trouble with thy feet," but Grandfather Mypoodle had forgot to put his down, as is sometimes the way with those who record dictation. Nevertheless, the tablet was entrusted to Marianthe who was by that time ready to return to her own dwelling place. Ready? Nay, she was eager, for had she not picked up from her kinswoman Mirandella an idea for redecorating her cave?

When Marianthe delivered the stone slab safely into the hands of her husband Thomas, great was the rejoicing. Thomas was so overcome with happiness that he fell upon his face and wept. "Verily," he quoth, "such joy cometh not many times to a man. Why do we not send more letters and share this pleasure with others?" And it was even so.

Now after many fathers and sons a bright young man inquired one day, "Why do you suppose we 'beg to remain' at the end of all our letters? Seems to me that Thomas Kafoodle did this because he really had to remain at home, although he did not wish to do so. Joseph Mypoodle said it because he could not accept the invitation to visit Thomas, but had to remain at home and tend the crops. Methinks we should do away with that expression." Whereupon there was a great uproar, for had not this young upstart desecrated the memory of the sacred founder of the art of letter writing? The townspeople cast the offender into the dungeon where he lay for many days and nights to repent of his hasty words.

After many more fathers and sons there arose another young man who had the temerity to suggest that "trusting" and "beg leave to state" and other such phrases which had long since been dropped from the speech of the people, should also be dropped from their letters.

I'm telling you truthfully there arose such a flood of indignation that it is a wonder the poor young man was not beheaded then and there. Was this style not good (*Cont. on page* 37)



THE MEASUREMENT OF MAN

In the Bureau of Standards in Washington lies a metal rod. At a given temperature, it is the nation's standard of measurement. By it all distance may be measured.

Similarly, we have known quantities in every physical field. But as yet there is no measurement for man that will reveal exactly his intelligence, his moral fibre, his stamina under moral stress and strain. Human nature is the last frontier of science.

Yet in this world of uncertainty the dwellers in National Surety Town live securely. Surety protection has brought a new measurement of safety into a world where other measurements are still impossible.

National Surety representatives everywhere—themselves picked men—are selling fidelity bonds and blanket bonds; plus protection against burglary, forgery, and many other dangers.

NATIONAL SURETY CORPORATION
VINCENT CULLEN, PRESIDENT
New York
© National Surety Corporation, 1936

Office-ally

Payroll accounting

An interesting descriptive folder showing payroll accounting plans for all types and all sizes of businesses has been published by Burroughs Adding Machine Company.

The folder is well illustrated with representative forms for compiling information required by Social Security laws. One set of forms illustrates how to write check (or envelope), employee's statement, earnings record and payroll sheet—all in one operation. Machines ranging from an inexpensive desk bookkeeping machine to an automatic accounting machine are also pictured.

Whether interested in a payroll plan to meet new conditions or just as an improvement over existing methods, employers will benefit by reading this new Burroughs folder. A copy can be had without charge or obligation by writing to—Advertising Department, Burroughs Adding Machine Company, Detroit, Michigan. Ask for Form 7067.

Copy-holder

The Ponten Manufacturing Company, 1435 Fifth Street, Berkeley, Calif., producer of the Ponten reading stand, has just brought out a copy-holder for typists: the Ponten typist stand, to retail at $2.95.

This new device, "Office Appliances" tells us, will hold anything from a single sheet to a heavy book directly before the typist's eyes. It is high enough from the machine to make the insertion of typewriter paper easy. Weighing three pounds, it folds compactly, and is available, individually boxed, at a popular price, finished in either black or green enamel.

"Tracealarm"

The Bankers Protection Company, Simsbury, Conn., has developed a messenger bag that affords unusual protection for both valuables and human life, says "Office Appliances." This bag is called the Tracealarm. A mechanism inside, controlled by the bearer, but not perceptible to others, automatically locks it and times the discharge—within a set, short interval—of four blank cartridges and a cloud of dense yellow smoke. The smoke continues to flow for some minutes, and can be seen a long distance away. Thus a messenger can turn the bag over to a thief on demand, who will find escape on foot or in a car practically impossible as long as he retains it.

It is said that insurance companies allow a twenty per cent reduction on messenger and paymaster policy premiums if these bags are used. They are approved and covered by Label Service of Underwriters' Laboratories.

The bag itself is described as of high grade materials, non-corrosive throughout to insure long service, and is made in two styles. It is lined with spring steel mesh to prevent cutting. The manufacturers are reported to have had years of experience in producing articles of this type and the warning device is made by a company which has handled pyrotechnics for a century.

Love in bloom

There was only one other passenger besides the honeymooners, Buffalo-bound, on an early morning bus. While they passed through the lighted streets of cities, they maintained their reserve, but became affectionate as the coach sped along the countryside. The groom, anxious to reach the destination, asked his fellow-passenger if he knew how far it was to Buffalo.

"Yeah," said the stranger, "we passed it while you was in that last clinch."

N. E. W. S.

North, East, West or South—There is hardly a buyer in the world, trading in the American market, whose paying habits are not known to the Foreign Credit Interchange Bureau!

N.E.W.S.—for eighteen years the Bureau, through its various services, has successfully aided hundreds of leading American exporters. Information is on file concerning the *actual down-to-date paying habits* of 300,000 foreign buyers.

N.E.W.S.—export credits present no insurmountable problem but are handled daily on a sound, efficient basis, because interchange of *ledger experience* has been developed to enable the American exporter to investigate the foreign buyer's recent paying habits.

N.E.W.S.—be the buyer in Peru or Persia, Puerto Rico or Panama, facts—*actual facts*—from the ledgers of fellow exporters, are available through membership in the

FOREIGN CREDIT INTERCHANGE BUREAU

NATIONAL ASSOCIATION OF CREDIT MEN

1 Park Avenue, New York, N. Y.

Tests of credit management

(*Cont. from p.* 8) tendered the firm, consequently its operating costs should be relative to its total responsibility. In making this comparison the department should, it would seem, be charged with its bad debt losses for the period.

Investigation costs: The cost of mercantile agency services and services of other commercial investigators can be easily obtained from the monthly statements rendered by these outside agencies. The costs of direct investigations made by the credit department can be approximated by an estimate of the cost per direct inquiry. Record of the number of direct inquiries made can be kept from month to month by a requisition record of the stamped return envelopes used by the credit department. To reduce these figures to a unit basis they should be shown as the cost per applicant handled and the cost per new account approved.

This method of cost allocation satisfactorily distributes the cost to the new accounts. The distribution of costs involved in the periodic reinvestigation of existing open accounts, made to revise lines or to determine upon methods of handling, is not so easy. To keep a separate record of each open account reinvestigated would get the desired results, but might involve undue detailed clerical work. Of course, if the automatic revision service of the Credit Interchange Bureaus is used exclusively the data could be readily obtained from the monthly statements rendered by this agency. In other circumstances no convenient method of obtaining this information without considerable detailed clerical work is known to the writer.

Some credit departments drift into the habit of overinvestigating and this device will reveal this tendency. Likewise the objections of management to credit department operating costs can be met by a comparison of the cost of this item relative to the volume of work handled.

Collection costs: This comparison is only readily made when the work of collections is separately departmentalized. If this situation prevails the unit cost of collections should be compared with the items given this department to handle.

This may seem as though it involved needlessly complex and detailed accumulation of data. (*Cont. on page* 34)

YOU AND YOUR ORGANIZATION ARE INVITED TO "SAMPLE" EDIPHONE VOICE WRITING WITHOUT OBLIGATION!

READ DETAILS OF

Edison says this to responsible executives and professional men and women:

"Our records prove that whenever and wherever an office has adopted Ediphone Voice Writing, the business capacity of its dictators and secretaries has increased at least 20%, and often as much as 50%. Each case of increased capacity has been accompanied by a decrease in physical and mental effort.

"So positive is Edison that the business capacity of *your* organization can be increased 20% to 50% – without increased effort – that we will place a new Pro-technic Ediphone at your desk, and at the desks of anyone else in your office. Without disturbing your ordinary routine, you will have an opportunity to learn how effectively Voice Writing speeds the flow of work . . . how it saves time . . . how it makes money for you.

"Until you are completely satisfied that Voice Writing 'delivers,' you pay nothing. You obligate yourself in no way! You can't lose! THAT is the basis of the New Edison 'You-Pay-Nothing' Plan." For further details of this astonishing offer, Telephone The Ediphone, Your City, or write direct to –

Pro-technic Ediphone

Thomas A. Edison INCORPORATED
ORANGE, N. J. U. S. A.

★ WORLD-WIDE VOICE WRITING SERVICE ★

Insurance digest

Insurance safety stressed

Life insurance is in a stronger position today than ever before. Assets of all life insurance companies in the United States have increased more than three millions of dollars between January 1, 1933, and July 1, 1936. There are two million more policies enforced than there were four years ago. The Government is not going into the insurance business nor does it want Federal supervision of insurance. President Roosevelt has not asked life insurance companies to limit farm loan values to a maximum of $25 per acre. He favors mutual exchange of information by companies on the value of land in different sections and mutual exchange of information on city property. Life insurance companies are willing to cooperate with the President relative to the Administration's social security program. Demands for small and medium size policies are increasing.

This in brief is the information which came out of Washington following a conference of leading life insurance company executives with President Roosevelt in the middle of September, the "Eastern Underwriter" reports. It was denied by the White House that the conference was an aftermath of the Col. Frank Knox speech at Allentown, Pa., early in September, in which a statement was made that insurance policies and savings bank accounts are being imperiled by the "New Deal." The comments of Col. Knox, however, stirred all political parties, even resulting in the buying of a policy by William Lemke, Union Party Candidate for President, as a gesture "to show faith in the insurance structure of the United States."

Present at the Washington conference were: Frederick H. Ecker, Chairman; James D. Craig, Vice-President and Chief Actuary, Metropolitan Life Insurance Company; Thomas A. Buckner, President, New York Life Insurance Company; L. Edmund Zacher, President, Travelers Insurance Company; Guy W. Cox, President, John Hancock Insurance Company; M. J. Cleary, President, Northwestern Mutual Life Insurance Company; Charles S. Williams, President, Western & Southern Life Insurance Company.

Occupational disease

(*Cont. from p.* 14) can best be conserved through the medium of cooperative efforts directed principally to the elimination of such hazards wherever they may exist.

Obviously, prevention becomes one of the important factors in meeting the problems of occupational disease. The opportunities to eliminate hazards to a minimum, particularly those arising from dust, gas or vapor, should be fully and promptly explored by industry in order to determine what, if any, hazards may exist. A rigid plant survey and a study of statutory requirements are most essential. The form in which prevention, where necessary, should be carried, depends entirely upon the nature of the process, the materials used and the degree of exposure. It may be medical or engineering or both in scope—most certainly it calls for the coöperation of all concerned.

Tests of credit management

(*Cont. from page* 33) On the other hand effective management cannot be

Business Credit Needs Business Life Insurance

Management has a tangible value, the loss of which can be replaced through adequate business life insurance, just as the value of your plant and equipment can be replaced through other forms of insurance.

Protect the investment represented by the brains and energy of the key men in your business. The business which insures its man value has strengthened its credit both in the present and in the future.

John Hancock
MUTUAL
LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS

C.F.M. 36

expected to work blindly. Certainly no effective criticism of operating costs can be made unless it is based on the costs relative to the services performed. Thus the unit cost of operations must be the basis of all comparisons. Nor can policies be intelligently decided upon other than on the basis of known facts. Budgetary control of operations can only come after the initial cost distribution is at hand.

Furthermore the justification of the credit division as an important service division of the business is rendered easier and more certain when it can show definitely and positively the facts relative to its own operations.

SUMMARY: The foregoing discussion of guides to credit department operations is not intended to be a final or definitive listing of operating indicators. Nor is the discussion given these measures thought of as being complete. It is a first venture into a field which the writer finds virgin. So far as the literature on the subject goes little help was found. It is hoped that this first venture into the subject will promote discussion and from this discussion will come additional thinking upon the subject. As a result of this thinking there will surely come a refinement of concepts and greater skill in the use of these tests of operations, followed by a more general use of them. This will result in the accumulation of additional data which will in turn make the various tests more useful and beneficial.

As this stage is reached there should result a fuller realization of the manifold responsibilities borne by the credit

man together with greater ability to perform this responsibility. This will benefit all parties having an interest in credit.

A nasty trio

There are certain words that, by their badness, have earned a place on every list. Of these, the worst, the most unutterably bad, is "contacted." Ye Ed is in complete agreement with the Shop Philosopher there. "Contacted" is jargon, and inexcusable jargon. It is an outrage upon English speech. It is the illegitimate verbal offspring of lazy minds and cheap souls. It is the worst thing that has happened to this continent's vocabulary since "normalcy" and "colorful." Add to it "propositioned" and "and/or" and you have as nasty a trio of barbarities as ever called aloud for philological lynch law.

—*"The Kalends"*

It is our assignment to "Guard the Nation's Profits"

Your customer

(*Cont. from p.* 4) his purchases largely to one wholesaler, his monthly purchases from that wholesaler should equal approximately one third of his sales. The remainder of his purchases equal to another third of his sales would be made from suppliers other than wholesale druggists.

If the customer has average monthly sales of $1500.00 and buys $700.00 a month from his wholesale druggist, barring leaks, he is going to have some dead stock on hand. Furthermore, he will eventually find himself unable to pay his bills.

If the customer fails to observe his overbuying, and sometimes one does, who is in better position to counsel with him than the Credit Manager? And isn't it possible for the Credit Department, working in conjunction with the customer and the Sales Department, to render a real service to the customer and the house in correction of this oversight?

Then there is the matter of retail drug store credits. This is one of the biggest problems of the independent drug store. It has caused many failures. What service can the wholesale Credit Manager render here? He can present to the customer by bulletin and personal contact certain facts which a busy druggist might otherwise seldom think about. For instance, if the customer does $500.00 per month credit business and has $2000.00 on his books his average account receivable would be four months old.

If the customer consistently sells more on a credit each month than he collects on account, of course he is tying up money in frozen accounts he may need in the operation of his business. All wholesale credit men have seen this happen. If the Credit Manager is able to sell the customer on the idea of correcting this policy he has rendered a real service.

Recently a customer who owns five retail drug stores came to his service wholesaler for suggestions as to how his accounts receivable could be reduced. He had $10,000.00 on his books. He was advised to put on a contest, each store manager to receive a 5% bonus on all amounts collected monthly in excess of amounts charged. It was also suggested that three prizes be given the three leaders in the contest. The plan is now in operation and is a success.

In retail drug (*Continued on page* 39)

$300,000,000.00

"How much of it is Yours?"

Annually $300,000,000.00 in credit losses are written off by American business, and your concern pays its share of that total.

Recently a manufacturing concern with $130,000 insurable value of contents carried only $25,000 fire insurance. Result: after the fire—BANKRUPTCY, for, with collectible receivables of $45,000, plus insurance of $25,000, only $70,000 was available to pay off liabilities of $106,000. As a creditor, your company suffers loss under similar circumstances.

Cutting such losses means salvaging profits. Insist on creditors having adequate insurance to value. *Be certain your own company has adequate insurance, too.*

Consult our local representative (name on request) regarding cutting credit losses and thus salvaging profits for your concern.

1825 THE PENNSYLVANIA FIRE INSURANCE CO.

THE PENNSYLVANIA FIRE INSURANCE COMPANY

150 William Street New York

—Writing Fire and all Kindred Lines—

Credit "Q"s

and "A"s

Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in Credit and Financial Management. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of the law involved.

Robinson-Patman Act

Q. I would like to have you consider the following questions from a credit executive's point of view:

1. Would the allowance of discount by a manufacturer deducted beyond the agreed terms by the customer constitute a violation of the Robinson-Patman Act?

2. If unearned cash discount is disallowed, how strenuously should the collection effort of the manufacturer be to secure payment of the discount deducted in error or unduly by the customer?

3. If a customer should deduct discount in error and it is disallowed but the customer refuses, when the matter is called to his attention, to pay the same, how soon can the manufacturer charge off this discount as an uncollectible item?

4. If a customer continually deducts discounts to which he is not entitled and refuses to pay when asked by the manufacturer, would the manufacturer violate the Robinson-Patman Act by continuing to accept new business when past records show uncollectible discounts would be made in error or intentionally?

5. If a manufacturer is selling on terms of 2%, 10 days, net 30, would that manufacturer violate the Act when certain customers are required to pay cash in advance while others are allowed to discount and others pay on the net terms, while still others pay in 60, 90, 120 days, etc?

6. If a customer continually pays on a four or five months' basis, is the manufacturer violating the Act when accepting new business from this customer on a 2%, 10 days, net 30 day basis, when past experience indicates this new business will not be paid for except on the four to five months' basis?

7. It is a general policy of most credit departments to follow a poor credit risk more strenuously than a good credit risk. As a general rule, would such a varying collection policy be a violation of the Act?

8. Regular terms of a manufacturer being 2%, 10 days, net 30, would it be a violation of the Act to agree at the time of sale to accept a note settlement, due in 60, 90 or 120 days in payment of the shipment?

A. The Robinson-Patman Act is not a law to be digested briefly and handed out for ready and rapid use. It is our understanding that both lawyers and laymen have been impatient that it could not be readily understood and applied to positive answers to a multitude of questions. The character of the law and the integrity of the idea behind it depends upon the way the law is construed by the courts in the months and years to come. The effect upon business and changes in the commercial structure must take form under the light of judicial interpretation. Therefore, the following opinions resulted from conference and discussion of the subject with several prominent credit executives and expressed as a layman's opinion without the benefit of any interpretation of the Act either by the Federal Trade Commission or by the courts and are given with the reservation that, until such interpretation has been had, no authoritative opinion can be expressed. The answers following correspond by number to the questions above.

1. There is serious question as to whether cash discounts come within the scope of the Robinson-Patman Anti-Price Discrimination Act. The term "price" is not defined in the Act. As the bill was originally introduced, it was intended to prohibit differentials in "price and terms of sale," but the words "terms of sale" were eliminated before the Act was passed. It is probable, therefore, that the elimination of the words "terms of sale" before the passage of the Act will be construed as evidencing intent on the part of Congress that the granting of cash discounts does not amount to price discrimination within the meaning of the statute. Until the Act is interpreted, however, caution suggestions that cash discounts should not be granted in an amount not justified by the cost of extending credit. Assuming that cash discounts are within the meaning of the Act, the allowance by a seller of a cash discount after the expiration of the discount period would appear to constitute an unlawful price discrimination both on the part of the buyer and on the part of the seller.

2. If an unauthorized cash discount is deducted by the buyer, the seller should as a minimum precaution bill the buyer for the amount unlawfully deducted. In my opinion, it is not necessary for the seller to bring suit to collect the debt represented by the unearned discount, but he should not connive in the unlawful deduction by accepting the amount tendered in full settlement without protest.

3. Failure on the part of a buyer to remit the amount of the cash discount unlawfully deducted upon demand places the seller in no different position than he is in with respect to any other account receivable, and he may charge off the uncollected sum whenever in the exercise of good business judgment he believes the debt is uncollectible. Sellers frequently charge off bad debts without first resorting to suit for any one of a number of reasons, among which may be the fact that the amount is too small to justify the expense of litigation.

4. If a buyer repeatedly takes unearned discounts and the seller nevertheless continues to sell merchandise on credit to the same buyer, knowing

from previous experience that an unlawful discount will be taken, I believe it might successfully be contended that the seller was conniving in the granting to the buyer of a discount not granted to others, and both parties might be charged with unlawful price discrimination within the meaning of the Act. If the unearned discount were taken in error and not intentionally, the buyer would under normal circumstances remit the amount erroneously deducted upon demand. A succession of "errors," followed by failure to correct the error when called to the attention of the buyer, would establish such a course of conduct that it would be difficult to make anybody believe that the discount was not deducted intentionally.

5. I find nothing in the Act which prohibits the granting of cash discounts on any terms provided the discount is allowed on a proportionately equal basis for the period granted.

6. If a customer continually pays on a four or five months basis, a seller may in my opinion nevertheless accept any business from the customer on a 2%, 10 days, net 30 basis. Each sale would stand on its own footing, and depending on the state law the seller may or may not be entitled to interest covering the period beyond maturity during which the account remains unpaid.

7. I do not believe that anything in the Robinson-Patman Act requires any change in a seller's collection methods or policies.

8. I do not believe that acceptance of a note in settlement of an account is prohibited by the Robinson-Patman Act.

And so he wrote a letter . . . .

(*Cont. from p.* 31)enough for our fathers, our grandfathers, and even our ancestors as far back as we could trace? Then who were we to change it? Rest assured that the young man was properly subdued.

In the face of all these warnings, however, there are even today those with boldness enough to suggest that it is only logical that we should write as we talk, even as Thomas and Joseph wrote as they spake.

It is our opportunity:
"Guard the Nation's Profits"

Collections better

Collection percentages on open-credit accounts receivable and on installment accounts receivable for all stores reporting in the 1935 Retail Credit Survey, which was recently released, were somewhat higher for 1935 than for 1934. Copies of the survey are available from the Superintendent of Documents, Washington, D. C., at 10c per copy.

The average monthly figures for 1935 were 46 percent on open-credit accounts and 15 percent on installment accounts as compared with 43.6 percent and 14.3 percent, respectively, for 1934. This improvement represents a continuation of the trend which developed in the last 6 months of 1933 and continued through 1934, reversing the previous downward trend which started early in 1930.

Let us resolve to
"Guard the Nation's Profits"

Assets must be gauged by the insurance behind them

CREDIT is based upon ability to pay, which in turn must be based upon value of assets. But sound credit should dig deeper than this . . . down to the bedrock of insurance upon which the stability of the assets is founded. To credit managers the world over, North America Policies stand for dependable insurance. Behind them is the oldest American stock fire and marine insurance company, with a 144-year record for prompt and equitable claim settlement and financial resources to meet its obligations.

PROTECT WHAT YOU HAVE

COPYRIGHT 1932 by INS. CO. OF NORTH AMERICA

Insurance Company of North America

PHILADELPHIA

and its affiliated companies write practically every form of insurance except life

The other's side

Benefits of the tariff

Gentlemen:

I read with the utmost amazement an article in your September issue, by a gentleman by the name of Woodrum.

So astonishing are his arguments, so contrary to all historical precedence, are his deductions, that I cannot refrain from calling attention to some of the more glaring inaccuracies.

Starting with the assumption that the so-called Canadian reciprocity has *proven* that our "high tariff walls" have been detrimental to *our working men, farmers, and manufacturers,* I will call your earnest attention to the results of this lowering of the tariff, *especially* to our farmers.

During the first *four months only,* imports from Canada to our own America consisting of horses, swine, cheese, leather, cattle, sugar, butter, lumber, etc., rose from some $32,000,000 to $43,000,000. That's just eleven million dollars the *Canadian* farmers got that belonged to *our* farmer in four months. Surely that was a glorious thing for *our* farmers!

Extending the beneficent results to *our* countrymen still further, instead of having a *credit* balance of exports over imports ten months out of the year, we are *now* reduced to being a *debtor* nation at least nine *months* out of the year. In plain words, we are busily engaged in surrendering *our* markets to the *foreign* countries with tremendous strides.

If "even in manufactured products as much employment is given in the purchase, sale, transportation, and handling of *imported* articles, as in those produced domestically" is true, why *manufacture anything.*

Brother Woodrum seems perfectly satisfied to have *all* electric light bulbs *imported* into this country, if some purchaser can save fifteen cents in buying one. As thousands of workmen are engaged in the manufacture of electric light bulbs in *our country,* would Mr. Woodrum be highly pleased to *have them lose their jobs,* so that some *aliens could keep theirs?*

As to the contention that a tariff does not conduce to better wages for *our* workingmen, I would quote him a little *American* history.

When Grover Cleveland was elected President of our country, he ran upon a platform that called for a revision of the tariff *downwards.* Cleveland was one of those "old horse and buggy" men who thought that when his party promised anything, that the elected President was in duty, and all honor, bound to carry out its solemn promises, so the tariff was greatly lowered.

Result? Corn sold for ten cents a bushel, oats twelve cents, wheat thirty-four cents, and potatoes seven cents. And how about labor? Common labor was *eighty cents a day.*

Now if the tariff has nothing to do with wages, nor the value of farm produce, or manufactured goods, *just what did cause this condition?*

In continuation of this argument, when Cleveland was defeated for a second term, the Republican party brought forth the McKinley tariff bill! Immediately, there was a howl of criticism from the rock-ribbed coast of Maine to the golden gate of California, and from the snow capped peak of old Mount Shasta to the sun-kissed waters of Mobile Bay, yet the McKinley bill was passed never-the-less.

Now! *If* the tariff has no influence whatever upon the wages of labor, nor upon the price of farm produce, *why* did we have all farmer's grains and potatoes almost immediately jump from twenty to seven hundred percent, and *why* did the laborer's wage increase from eighty to two dollars?

Even with only the so-called reciprocity tariff reductions, our *imports* of cheap made foreign goods, farm produce, and luxuries have so flooded *our* markets, that they are exceeding our *exports* every day. If labor will *ever again* get full employment it certainly *will not be,* when the large proportion of everything we eat, drink, wear, or use is *imported!*

The gentleman seems to maintain that Canadian labor is *better* paid than *our* labor. Curious, is it not, that *all* statistics show that American labor is, by far, the *best paid in the whole world?* Wonder where he got this bit of news.

Here is a gem! "Producers in France maintain that they need high tariffs *to protect them from the high wages in the United States"!* I always thought that high tariffs were to protect a country against the *pauper labor* of alien tribes.

Here is another curio! "The fallacy of the high wage tariff argument is, of course, the *assumption* that *high wages mean high* production costs"! Would the gentleman have us believe that an article can be manufactured just as cheaply whether the labor used in its production costs ten cents or ten dollars? Carrying this to extremes, a manufacturer can sell an article for one dollar, whether the labor cost to produce this article is fifty cents or fifty dollars! How utterly stupid are all our manufacturers that they never discovered this fact before! ! ! Too bad Mr. Woodrum is not a manufacturer.

Even the argument that such goods or produce that are neither made nor raised in our country, should be let in free of all tariff charges, cannot be sustained by any kind of sound argument. *Any* article that enters into our United States, tariff free, must of necessity *displace* some similar merchandise made *here at home,* and as a natural consequence tends to *more* unemployment.

As to produce. Let us say we cannot grow Brazilian nuts in this country, and therefore they should be let into our United States tariff free.

However, we do raise pecans in Mr. Woodrum's Sunny Dixie Land. How long would our southern farmers raise pecans, if Brazilian nuts entered into that section of the south that Senator Woodrum is supposed to protect, if

said nuts were sold below the cost of raising pecans? But assuming that pecans *could* still be sold in competition, is it not so self-evident that no argument is necessary to prove that every bushel of Brazilian nuts sold in this country would displace a bushel of pecans? Perhaps the Senator can explain to his constituency what a wonderful benefit this would be to them!

Respectifully,

T. R. Frentz

Cashier, The New American Bank
Oshkosh, Wis.

Your customer—Mowrey

(*Cont. from p.* 35) store operation, the personal habits of the owner have much to do with his success. There is the case of the customer, about thirty years old, operating his store for a year with better than ordinary success. Suddenly there is a let down. He begins to drink on the job. In a short time the habit has the upper hand of him. He is completely down, and leaves the store for a week, to sober up.

Meanwhile the Credit Manager ponders the question of what steps to take. The customer's account is getting too high, considering the circumstances. A conference with the customer is planned by the wholesaler. It is also arranged for his father and father-in-law, who have been kept fully advised of what is happening by the sales department to attend the conference. They are in accord with what the wholesaler is trying to do. The customer is told in friendly but not uncertain terms that he need expect no more credit, unless he pulls himself together and operates as he is capable of doing.

The degree of importance placed on the matter by his wholesaler impressed the customer to such an extent that no further trouble has been experienced. In a month's time the account was again current. This was a case of helping the customer help himself. The course he was following meant the loss of his store. With the co-operation and encouragement of his service wholesaler he is now back on the road to success. Of course he may fall again. And he may not.

The matter of additional or outside investments made or contemplated by the customer sometimes assume much importance. He may be operating on limited capital but making money. The idea of doubling his profit by buying or opening a second store appeals to him. But generally it does not work. The available capital is spread too thin and the second store often not only makes no profit but cripples and drags down the entire business structure. If the Credit Manager has the confidence of the customer, the two working together can avoid this pitfall while it is still just an idea in the mind of the customer.

Another major service that may be rendered a certain class of customer is that of insisting on prompt payment of bills due the wholesaler. Needless to say, the customer in this class will seldom recognize this as a benefit to him at the time. But there are few instances on record where any customer has in the long run been helped by an over-extension of credit. In so many cases it only encourages loose credit extension on the part of the retailer to his customers, over buying, unwise outside investments, excessive personal withdrawals, etc.

If the customer is one inclined to make mistakes of this kind in the operation of his business, insistence on prompt payment by the Credit Manager will be distinctly to the best interest of the customer. Again it is a question of knowing the customer personally, maintaining his confidence and selling him on the soundness of your policy. This is much easier said than done.

Your customer—Martin

(*Cont. from p.* 5) these stocks and when they go up I have something to say about it. When they are down, I keep quiet.

Still another has his wife helping him in the store. I make a special effort to play up to her at all times. (Always careful, however, not to overstep).

In short, I try to be human for I know that it pays in the long run.

Every once in a while one of these customers will write and tell me of some problem that has arisen. I solve that problem for him even if it costs a little for outside information. Why? —Because I have gained his confidence and wouldn't for the world let loose of it.

Somebody else wants a cost system installed. I install one. Perhaps it is necessary to go to his place of business in order to do it—but the trip will do me good anyway.

That personal "touch" is invaluable. It makes a good paying account, and best of all, it makes a better buyer for your particular merchandise. It pays to be human and I wouldn't sell my experience of the last five years for any amount of money—in fact money couldn't buy it.

Try to be original, and make each letter an individual one. Here is a sample—one that I sent out the other day.

> "Don't you get tired of receiving my everlasting and never ending collection letters? Well—here is a way to make me stop sending them. Wouldn't it be a lot nicer to have me write thus:
>
> 'Thank you very much for that nice check which reached my desk this morning for $442.43. You have no idea how much it was appreciated, for it took care of those items which matured last November and placed your account on a current basis.'
>
> "So make out a check tonight for the amount mentioned above and send it to me by the next mail. I'll bet that you'll sleep better, eat better and feel better."

The check came in two days later—Not as large, perhaps as I would like to have had, but it helped a lot and kept the account alive. Form letters go into the waste basket, whereas, individual personal letters go into the file.

I had an account some time ago that wouldn't answer letters. It had been a good account, too, but had become slow, and as I afterward found out, was too proud to admit it. This is the wire he finally received:

> "DEAL MUST BE CLOSED TODAY CANNOT WAIT LONGER IMPORTANT."

This was signed with my own name, making no mention of my firm. I don't know where he got the money—must have borrowed it—but we received a nice check by the next mail. By using this type of telegram the account was not jeopardized—regained its financial footing, and is still on our books.

Court decisions

NEGOTIABLE INSTRUMENTS. Sufficiency of testimony of endorser that notice of dishonor and protest was not received.

In *The Trusts and Guarantee Co. Ltd. et al. vs. Barnhardt,* decided by the New York Court of Appeals, April 14, 1936, the question before the court was whether the testimony of an endorser of a negotiable instrument to the effect that he did not receive a notice of dishonor and protest which had been mailed to him in accordance with the provisions of the Canadian Negotiable Instruments Law was admissible to rebut the certificate of a notary that the notice had been mailed.

The decision is particularly important in view of the fact that the provisions of the Canadian Statute and of the Uniform Negotiable Instruments Act which is in effect in all states of the United States, were found by the New York Court of Appeals to be similar in effect.

The Uniform Negotiable Instruments Act provides that notice of dishonor may be given by delivering it personally or through the mails, and that where notice of dishonor is duly addressed and deposited in the postoffice, the sender is deemed to have given due notice, notwithstanding any miscarriage in the mails. The Court said:

"It is a general rule that the law presumes that a letter properly addressed, stamped and mailed is duly delivered to the addressee (Calkins v. Vaughn, 217 Ala. 56; News Syndicate Co. v. Gatti Paper Stock Corp., 256 N. Y. 211).

"That presumption applies in an action against an indorser of a note both under the common-law rule and under Canadian and New York statutes. Statutes making the certificate of a notary competent evidence do not preclude evidence, however, to the effect that a certificate of a notary is false in its statement that a notice was mailed. The falsity of such a certificate may be shown like any other material fact in a case by any competent evidence and as bearing on that question of fact evidence that the notice was not received would undoubtedly be competent.

"The question still remains whether the testimony of an indorser that he did not receive the notice *standing alone* is sufficient to raise a question of fact which must be sent to a jury.

"In some jurisdictions it has been decided that such evidence is sufficient to create a question of fact (Calkins v. Vaughn, supra; Kewannee National Bank v. Ladd, 175 Ill. App. 151; Radin v. Cresan, 106 N. J. L. 460).

"The same rule has been announced by some courts in this state, although the question has never been passed upon by this court (Union Bank v. Deshel, 139 App. Div. 217; Latham v. Sheff, 193 App. Div. 576; Reardon v. Olympic Theatre Corp. 231 App Div. 875).

"In Canada the rule seems to be that a mere denial of the receipt of the notice does not create a question of fact.

"A Canadian authority, Falconbridge on Banking and Bills of Exchange (4th ed. p. 486), says a mere denial of receipt is not an answer.

Other jurisdictions have adopted the rule that a mere denial of receipt of a notice does not create an issue of fact (*Bovay v. Fuller,* 63 Fed. Rep. 2d, 280); *Wilson v. Richards,* 28 Minn. 337.

* * *

TRUSTS — INVESTMENTS — OBLIGATION TO INVEST IN LEGAL SECURITIES. In the matter of the Estate of Bertha Cohn, 158 Misc. 96.

The will of the testator provided first, that the investments made by the trustee should be made in legally authorized securities, and second, that such securities must yield at least 5%.

The trustee of the estate applied to the court for permission to invest in a nonlegal investment on the ground that it was utterly impossible to procure legal securities which had a yield of 5%. The court in denying this application stated:

"In the will at bar the testatrix, in effect, made a dual direction, namely, first that investments should be made in legally authorized investments, and second, that no security should be purchased which did not yield an income of at least five per cent.

"If the allegations of the petition are true, the second limitation is impossible of performance. This, however, in no wise affects the obligation of the fiduciaries in respect to the first, which still remains a condition governing the gift by the testatrix of property which belonged to her, and is fully capable of effectuation.

The parties now propose to 'invest' the trust fund in a single payment life insurance policy. Such a placing of funds is not a legally authorized investment. (Matter of Vanderbilt, Foley, S., 129 Misc. 605, 607; Matter of Rooney v. Wiener, 147 id. 48, 49), and were the court to countenance such action it would condone flouting of the testamentary wish, in a manner quite unjustified by any necessities of the case."

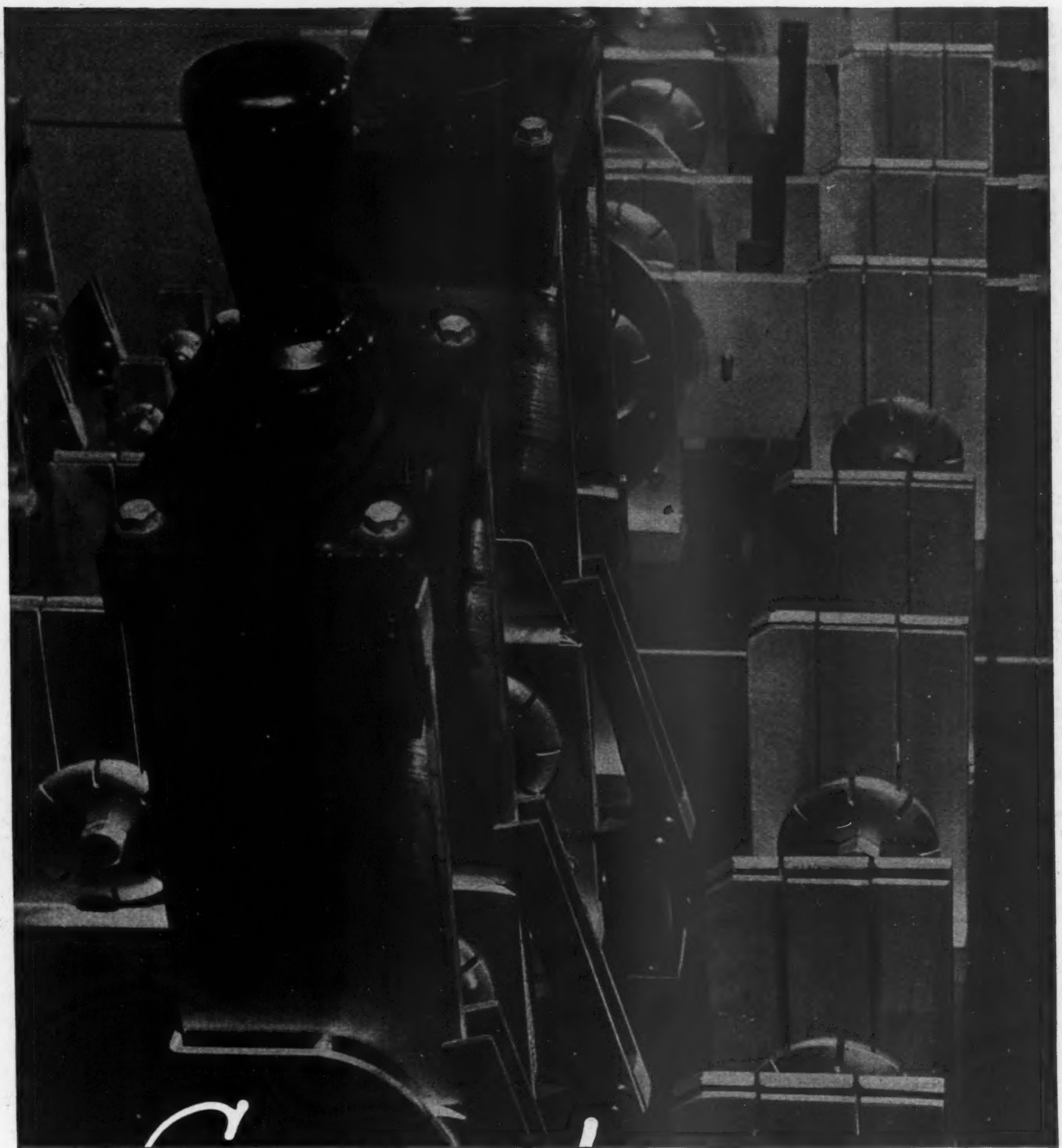
The court further intimated in its opinion that since the second contingency was impossible of fulfillment that an application to be relieved from the necessity of following that portion of the testamentary directions which necessitated investment in legal securities might be entertained and the trustees might then be relieved from the necessity of following that portion of the will.

"At common law a notary's certificate was not competent evidence. Notice of dishonor and of protest had to be established by common-law evidence. (Schofield v. Palmer, 134 Fed. Rep. 753.)

"The statutes in question make the certificate prima facie evidence which, of course, means that it constitutes sufficient evidence until disputed by competent affirmative evidence offered by the indorser. Testimony that the notice was not received is competent as bearing upon the question of whether it was mailed. Is it sufficient to constitute a question of fact for a jury? To hold that it is seems contrary to section 104 of the Canadian statute which provides in substance that if a certificate is properly mailed it is sufficient even though it is lost in the mail.

"In the case of Wilson v. Richards (supra) the court said 'But evidence of the non-receipt of the notice is, standing alone, incompetent to contradict the certificate. It might be competent or corroborating evidence if there were any testimony tending to show that the notice was not in fact deposited in the postoffice, but not otherwise. If mere evidence of the non-receipt of the notice would justify the jury in finding the facts against the prima facie case made by the certificate, then it would be in the power of the jury to cast all the risks arising from delinquency or accident in the postoffice department upon the holder of the paper, which is contrary to the design and purpose of the statute. One jury might find one way upon it and another the other way, so that practically there would be no certain established rule on the subject. The only way in which the holder could insure a reasonable degree of certainty in the matter would be to forego the provisions of the statute and of the law merchant in regard to depositing the notice in the postoffice and send it by messenger. A vast amount of the business of the country is transacted by the instrumentality of commercial paper negotiated at great distances from the maker, and if the certificate of protest may be regarded as contradicted by the mere nonreceipt of the notice, it is not difficult to see that a clog would be put upon its circulation, and the usefulness of this system of credits, which is so essential to

(*Continued on page* 42)



Contact!

It requires contact to turn potential power into real power. Likewise in credit: the man who has *complete* contact with the knowledge in his field is the man who has the potential power to tackle the problems in that field. Now is the time to make the contact . . . . .

nic

National Institute of Credit 1 Park Ave. New York

Please send me details of your Credit and Collection Course, without obligation to me.

Name ....

Address ....

City .... **1136 State** ....

Court decisions

(*Continued from page* 40)

commercial prosperity, would be seriously impaired.' " * * *

"We are in accord with the reasons so clearly stated by the Minnesota court and believe that those reasons are applicable under the Canadian statute."

BUCK GLASS CO. V. GORDY, Maryland Court of Appeals (5 C. J.) *Decided June* 20, 1936.

In this case a manufacturer of glass bottles selling them in gross quantities to sellers of milk and beer, was held not to be subject to payment of the gross receipts tax enacted by Chapter 188 of the Acts of 1935 of Maryland, for the privilege of selling at retail.

The Court said:

"This court is not prepared to decide that the vendees were consumers within the meaning of the statute. But assuming for the purposes of this case that they were, the court has come to the conclusion that because of a restriction in the title the statute cannot properly be construed to include among the sellers to be taxed the producers or dealers selling in gross quantities.

"The title does not, in words, refer to the business of selling to consumers as the subject of the tax. On the contrary, it refers only to 'the business of selling tangible personal property at retail.' Sales to consumers are specified only in the definitions and other provisions in the body of the Act. So far as there may be a difference in the subjects stated in the one way and the other, it is important because of the requirement of the State Constitution, Article III, Section 29, that the subject of an Act of Assembly shall be described in its title.* * * A restriction in the title must either confine the operation of the Act to conform to that description, if such a construction is possible, or render the Act void to the extent of the conflict.* * * In the present instance, as the title announces that the tax is one upon the business of selling at retail, or a retail sales tax, it seems probable that in the course of enactment of the law this was widely understood to be the effect of it.* * *

"Selling at retail means, in its common acceptation, selling by way of distributing, in smaller quantities, the gross quantities delivered by producers or wholesalers. It is an expression contrasting sales of the one kind from sales at wholesale, in the whole, or gross, quantities. * * * Sale to consumers, specified in the body of this Act, is ordinarily retail selling, but not always; and sellers to consumers in the larger, gross quantities are not within the regular meaning of the word retailers. (Commonwealth v. Bay State Milling Co. 312 Pa. 28.) * * *

"The court finds, then, that the Constitution of the State limits the application of the tax under the Maryland Act to the subject described in the title, to the business of selling at retail, as thus interpreted. But the several definitions which extend it to manufacturers and wholesalers selling to consumers, as well as to the ordinary retailers, may have an effect within that description, and therefore are not invalid because necessarily extending beyond it. There are producers who sell their products directly to consumers at retail in the ordinary sense. Doubtless wholesalers who are not producers may be found so engaging in retail selling as well. These and all others selling at retail, are made subject to the tax. "If it should happen in any case that more than one dealer should be selling at retail in the course of distribution of particular goods, then that one who sells to the consumer is taxed. This construction views the definitions as having purposes within the scope of the title, and therefore effectual to that extent.* * *

"A ruling of the comptroller applying the tax according to a contrary construction is cited, but of course there is no long-settled administrative practice under so recent an enactment, and therefore nothing in the ruling to influence the construction of the Act by the court."

BEHIND THE MASK

A face may mask emotion; surface conditions and casual statements may mask a character.

To obtain dependable information on character, habits, income et cetera, get behind the mask!

SPECIFY HOOPER-HOLMES REPORTS

THE HOOPER-HOLMES BUREAU, INC.

102 MAIDEN LANE, NEW YORK

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF MARCH 3, 1933.

Of CREDIT and FINANCIAL MANAGEMENT, published monthly at Philadelphia, Penna., for October 1, 1936.

STATE OF NEW YORK,
COUNTY OF NEW YORK, ss.

Before me, a Notary Public in and for the State and county aforesaid, personally appeared Richard G. Tobin, who having been duly sworn according to law, deposes and says that he is the Editor and Manager of the CREDIT and FINANCIAL MANAGEMENT, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management, etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor and business managers are: Publishers, National Association of Credit Men, 1 Park Avenue, New York City. Editor, Richard G. Tobin, 1 Park Avenue, New York City. Managing Editor and Associate Editor, Paul Haase, 1 Park Avenue, New York City. Business Manager, Richard G. Tobin, 1 Park Avenue, New York City.

2. That the owner is: National Association of Credit Men, a non-stock corporation with the following officers: E. Pilsbury, New Orleans, La., president; W. S. Gruger, Seattle, Washington, vice president; L. J. Bradford, Cincinnati, Ohio, vice president; H. S. Collingsworth, Atlanta, Georgia, vice president; Henry H. Heimann, New York, N. Y., executive manager and secretary and treasurer; W. S. Swingle, assistant treasurer.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are : None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

RICHARD G. TOBIN, Editor.

Sworn to and subscribed before me this 28th day of September, 1936.

RUTH E. HOCTOR,
(Seal) Notary Public, Kings County
Clerk's No. 124, Reg. No. 6119
Certificate filed in New York County,
N. Y. Clerk's No. 128, Reg. No. 6-H-74
My commission expires March 30, 1938

NEWS ABOUT CREDIT MATTERS

A Section Devoted to Association Affairs

Get a Member in November

NOVEMBER, 1936

Save on Losses With Interchange

Credit Men in Area Sessions Revive Spirit

Conferences Held in October Indicate New Activities

Conferences of Credit executives held in various sections of the country during the month of October centered discussions on a number of subjects just now important to business men. The attendance at all of these district conferences indicated a marked revival of interest in credit problems and a united program on the part of credit men to guard business against a recurrence of the mistakes of boom years. "Forward on Sound Principles" was the slogan at the Tri-State Conference at Jamestown, N. Y. The general theme of the other conferences was along the same lines.

Tri-State at Jamestown Has Large Crowd

Jamestown.—The annual Tri-State conference of Credit Men of New York, New Jersey and Eastern Pennsylvania drew one of the largest registrations recorded in several years for a session held outside of New York City. The associations participating in the conference were the Eastern New York Association of Credit Men in Albany; Lehigh Valley-Berks Credit Association, Inc., Allentown; Binghamton Association of Credit Men, Binghamton, N. Y.; Credit Association of Western New York, Buffalo; Elmira Association of Credit Men; Harrisburg Association of Credit Men; Jamestown Association of Credit Men; New York Credit Men's Association; New Jersey Association of Credit Men; Credit Men's Association of Eastern Pennsylvania, Philadelphia; Rochester Association of Credit Men; Syracuse Association of Credit Men; and the recently re-or-

(*Continued on page* 45)

NEW SECRETARY AT MILWAUKEE

H. S. Garness, who has succeeded J. G. Romer in Milwaukee post.

Brewery Suppliers Organize New Group In Chicago A.C.M.

Chicago.—The Chicago Association of Credit Men has organized a new credit group composed of the Brewery Suppliers of Illinois and Wisconsin. The organization of the group took place at a meeting held at the Auditorium Hotel on October 2nd. The group will be known as the Brewery Suppliers Credit Bureau of the Chicago Association of Credit Men.

The group was organized to function through the Chicago Association of Credit Men after an extensive survey made by a commitee headed by W. F. Mechtel, credit manager of the Best Brewing Company of Chicago. This survey, which was made at the request of the brewery interest at a previous meeting, covered various kinds of credit service.

November Marks Start of Development Program

P. M. Haight to Direct 1937 NACM Race

Former National Prexy Leads Membership Work for Year

The personnel of the National Membership Executive Committee has been completed by President Pilsbury and under Chairman Haight's leadership is under way.

Chairman Haight has divided the Associations of the country among the members of his Committee. Each member will have the responsibility of supervision of a certain number of Associations, keeping in touch with their membership activities, counselling with them, and assisting where possible.

The last two months have shown a decided gain in national membership and everything points to the largest gain for many years when the membership books are closed next April 30th.

NATIONAL MEMBERSHIP EXECUTIVE COMMITTEE—1936-37

Chairman—P. M. Haight, International General Electric Co., New York City.

Eastern Vice-Chairman—E. E. Ogren, The Stanley Works, New Britain, Conn.

W. H. Daggs—Rochester Ribbon & Carbon Co., Rochester, N. Y.

D. J. Bone—Fairmont Creamery Co., New Haven, Conn.

Ross R. McCoy—Gulf Oil Corporation, Pittsburgh, Pa.

T. S. Hatzfeld—Armour & Co., Tampa, Fla.

W. H. Kearney—238 W. Genesee Street, Syracuse, N. Y.

Martin Kemmerer—Kemmerer Paper Co., Allentown, Pa.

J. A. MacDonald—McTighe

(*Continued on page* 44)

Several Cities Await Bell to Begin on Big Plan

November will mark the start of intensive promotion work on the Development Program which was quite unanimously voted at the N.A.C.M. national convention in Richmond last June. For several weeks the preliminary plans for this big program have been progressing through the various formulation stages and are now organized so that the program can be pushed rapidly during November and December.

Plans have been under discussion in many of the affiliated Associations during October. In several of these points the work is merely awaiting the appointed date to present the program to the members. National President Ned Pilsbury held a meeting of New Orleans Directors recently and the Expansion Program was presented to the entire membership of the New Orleans Association on October 21.

The promotional work of the program, as outlined in the October issue of CREDIT AND FINANCIAL MANAGEMENT, is under the direction of David A. Weir, assistant Executive Manager, for the Eastern Division, by E. B. Moran, manager of the Central Division, with headquarters in Chicago, and by Owen Dibbern, Western Division Manager, with headquarters in San Francisco.

Other Associations which have already started on the Development Program promotion work are Los Angeles, Seattle, Salt Lake City, Portland, San Diego, and South Bend. Owen Dibbern, Western Division Manager, offers odds that the Associations in his division will be the first to meet their quotas under the new program.

Paint, Varnish Groups Decide Credit Plans

National Committee to Report to Convention in Chicago Nov. 18-20

The Credits and Collections Committee of the National Paint, Varnish and Lacquer Association, of which F. J. Hamerin, Lilly Varnish Company, Indianapolis, Indiana, is chairman, has prepared its annual report for the national convention of the Paint Association which will be held at the Drake Hotel, Chicago, November 18, 19 and 20.

The report presents the outline of a credit service program for all manufacturers, wholesalers and dealers of paint, varnish and lacquer products.

A national program is submitted for industrial accounts. Local programs are submitted for dealer, painter and contractor accounts.

These programs will be submitted to local paint groups through Mr. Hamerin's National Committee of approximately seventy members. The personnel of the Committee is as follows:

Chairman

F. J. Hamerin, Lilly Varnish Co., Indianapolis, Ind.

Vice Chairman

Central Zone—F. J. Hamerin, Lilly Varnish Co., Indianapolis, Ind.

Eastern Zone—H. E. Rhell, John T. Lewis & Bro. Co., Philadelphia, Pa.

Southern Zone—M. M. Salaun, Marine Paint & Varnish Co., New Orleans, La.

Western Zone—C. H. Sondhaus, National Lead Co., San Francisco, Cal.

Steering Committee

F. J. Hamerin, Lilly Varnish Co., Indianapolis, Ind., Chairman.

J. A. Fueglein, Louisville Varnish Co., Louisville, Ky.

T. J. Kenny, Devoe & Raynolds Co., Inc., Brooklyn, N. Y.

B. G. McFadden, Pratt & Lambert, Inc., Buffalo, N. Y.

T. G. Murphey, Sherwin-Williams Co., Cleveland, Ohio.

H. E. Rhell, John T. Lewis & Bro. Co., Philadelphia, Pa.

M. M. Salaun, Marine Paint & Varnish Co., New Orleans, La.

L. E. Schroeder, George E. Watson Co., Chicago, Ill.

C. H. Sondhaus, National Lead Co., San Francisco, Cal.

Local Representatives

Ellis L. Cone, F. J. Cooledge & Sons, Atlanta, Ga.

A. L. Franklin, Pittsburgh Plate Glass Co., Baltimore, Md.

J. M. Phillips, Pittsburgh Plate Glass Co., Birmingham, Ala.

Geo. L. Pierce, The Glidden Co., Birmingham, Ala.

Wesley W. Gilmour, Boston Varnish Co., Everett, Mass.

Frank A. Roche, Wadsworth, Howland & Co., Inc., Boston, Mass.

B. G. McFadden, Pratt & Lambert, Inc., Buffalo, N. Y.

W. A. Michael, National Lead Co., Buffalo, N. Y.

W. H. Luecke, James B. Day & Co., Chicago, Ill.

Leon C. Hayes, Standard Varnish Works, Chicago, Ill.

O. F. Stuempel, Pittsburgh Plate Glass Co., Cincinnati, Ohio.

Chas. W. Heitman, Foy Paint Co., Norwood, Cincinnati, Ohio.

P. E. Dietz, Sherwin Williams Co., Dallas, Texas.

Frank McLister. Kohler-McLister Paint Co., Denver, Colo.

Wm. H. Schmidt, Pittsburgh Plate Glass Co., Des Moines, Iowa.

H. E. Collins, Standard Glass & Paint Co., Des Moines, Iowa.

C. Fallon, Frazer Paint Co., Detroit, Mich.

Frank Bacon, Detroit Graphite Co., Detroit, Mich.

G. E. Cowlishaw, Grand Rapids Wood Finishing Co., Grand Rapids, Mich.

A. Waldhauser, Pittsburgh Plate Glass Co., Houston, Texas.

Dwight Sherburne, The A. Burdsal Co., Indianapolis, Ind.

E. N. Ronnau, Cook Paint & Varnish Co., Kansas City, Mo.

Warren J. Beebe, W. P. Fuller & Co., Los Angeles, Cal.

J. A. Fueglein, Louisville Varnish Co., Louisville, Ky.

C. D. Kerswill, Peaslee-Gaulbert Paint & Varnish Co., Louisville, Ky.

M. G. Heins, True Tagg Paint Co., Memphis, Tenn.

P. W. Ruppert, National Lead Co., Milwaukee, Wis.

A. L. Kohlmetz, Patek Bros., Inc., Milwaukee, Wis.

J. W. Hoffman, Forman, Ford & Co., Minneapolis, Minn.

Geo. Coughlin, St. Paul White Lead & Oil Co., St. Paul, Minn.

G. H. Rothweiler, Murphy Varnish Co., Newark, N. J.

D. H. Driver, Devoe & Reynolds Co., Brooklyn, N. Y.

D. H. Baldwin, Cook Paint & Varnish Co., Omaha, Neb.

J. T. Cunningham, Pioneer Glass & Paint Co., Omaha, Neb.

A. W. Sande, John Lucas & Co., Inc., Philadelphia, Pa.

J. G. Reuter, Pittsburgh Plate Glass Co., Pittsburgh, Pa.

J. E. Smith, John Lucas & Co., Inc., Pittsburgh, Pa.

J. F. Totten, General Paint Corp., Portland, Ore.

W. J. Webber, W. P. Fuller & Co., Portland, Ore.

F. J. Sampson, Sampson Paint & Color Co., Richmond, Va.

Charles W. Snead, Bullington Paint Co., Richmond, Va.

E. J. Brengartner, Con-Ferro Paint & Varnish Co., St. Louis, Mo.

Harold Moore, Salt Lake Glass & Paint Co., Salt Lake City, Utah.

B. W. Lockhart, National Lead Co., Seattle, Wash.

R. C. Uhlmann, Schorn Paint Mfg. Co., Seattle, Wash.

Secretary, R. A. Colliton, National Association of Credit

(*Continued on page* 47)

Phila. Credit Men Join Conference of Quaker City Business Executives

Philadelphia.—The Credit Men's Association of Eastern Pennsylvania joined with the Philadelphia Chamber of Commerce and other civic and trade organizations in the annual Regional Business Conference of Philadelphia, which was held on October 19th and 20th at the Manufacturers & Bankers Club. The subjects discussed during this conference related to such important subjects as: taxation, government expenditures, employer-employee relationships, a continuing program of business development and employments for Philadelphia. The question of state taxation was given special discussion during the two-day program.

The Credit Men's Association of Eastern Pennsylvania at Philadelphia announces a course in commercial credits and collections at the University of Pennsylvania. Dr. Frank Parker, Professor of Finance at the Wharton School of the University of Pennsylvania, and Mr. Alexander Wall, Executive Secretary of the Robert Morris Associates, will lecture in this special set of courses. The first lecture was given on October 30th. Each sesion will be held on Friday of each week involving two hours of class work from 7:30 to 9:30. The course of twenty-eight weeks is offered at a price of $40.00 exclusive of text books.

P. M. Haight to Direct 1937 NACM Race

(*Continued from page* 43)

Grocery Co., Binghamton, N. Y.

W. E. Woollenweber—Wheeling Steel Corp., Wheeling, W. Va.

E. R. Patterson—Richmond Rubber Co., Richmond, Va.

Central Vice-Chairman — J. A. McBrien, Jordan Stevens Co., Minneapolis, Minn.

E. J. Acree—Baber & Acree, Terre Haute, Ind.

G. T. Allensworth—Allensworth-Carnahan Co., San Antonio, Tex.

F. J. Bury—E. R. Godfrey & Sons Co., Milwaukee, Wis.

D. C. Campbell — Fidelity Phenix Fire Insur. Co., Chicago, Ill.

O. S. Dietz—General Elec. Supply Co., St. Louis, Mo.

H. Fox—Sutton Electric Co., Wichita, Kans.

C. J. Goldthorpe—Union National Bank, Youngstown, O.

D. H. Gordon—Eureka Vacuum Cleaner Co., Detroit, Mich.

H. E. Kay—Industrial Brownhoist Corp., Bay City, Mich.

L. Motz—Armour & Co., Sioux City, Iowa.

E. B. Neuman — National Brass Co., Grand Rapids, Mich.

A. H. D. Perkins—Memphis Press-Scimitar, Memphis, Tenn.

P. B. Person—Knerr Dairy Co., Fargo, N. Dak.

H. H. Slatery—Eastern Tennessee Packing Co., Knoxville, Tenn.

G. P. Rosenthal—Archenbold Auto Supply Co., Waco, Tex.

Western Vice-Chairman—R. K. Sybert, Hage's, Ltd., San Diego, Cal.

F. A. Cates—Pillsbury Flour Mills, Los Angeles, Cal.

O. J. Dempsey—Dempsey & Saunders, Oakland, Cal.

T. A. Duke—King Fruit Co., Pueblo, Colo.

J. F. Mullen — Ballou & Wright, Seattle, Wash.

T. D. Swearingen—McElroy Packing Co., El Paso, Tex.

EX-OFFICIO

National President—E. Pilsbury, B. Rosenberg & Sons, New Orleans, La.

National Executive Manager—Henry H. Heimann, New York City.

Director Membership and Promotion—Brace Bennitt, New York City.

Credit Men in Area Sessions Revive Spirit

Conferences Held in October Indicate New Activities

(*Continued from page* 43)

ganized Utica Association of Credit Men.

Lynn Eddy of Jamestown Council of District No. 2 acted as chairman for the conference. Dana W. Norris of Syracuse, a national director, acted as chairman at the morning conference on October 16th. William W. Orr, secretary of the New York Credit Men's Association, gave the keynote address of the conference when he talked on the subject "Forward on Sound Principles." Mr. Orr reviewed the trying years of the immediate past and pointed to some of the mistakes discovered during those years as warning that "although we are at last on solid ground it only remains to go forward to the occupation of new fields certain, so far as possible, that our advance be well considered."

W. Randolph Montgomery presented some views on the Robinson-Patman Act, dwelling especially on the subject of price discrimination.

At the second day's meeting, David A. Weir, Assistant Executive Manager, of the National Association, discussed membership activity and stressed especially the new program for expanded service in legislative and educational features now being presented by the National Association. Kenneth H. Campbell of the Foreign Credit Interchange Bureau spoke on foreign credits, as also did P. M. Haight of the International General Electric Company, immediate past-president of the National Association, and Joseph Rubanow of the New York Association. Edward L. Lloyd, Chief of the Market Data Section of the Department of Commerce, told of the new monthly survey of wholesale and manufacturers' sales now being conducted by the Department of Commerce in cooperation with members of the National Association of Credit Men. Mr. Lloyd stressed the importance of credit research and especially the importance of the figures brought out in the monthly survey on sales and collection ratios.

A resolution adopted at the Jamestown Conference called for a special study of the new Federal tax on undistributed profits.

In his address at the annual banquet of the Tri-State Conference on October 16th, Henry H. Heimann, Executive Manager of the National Association, stressed the fact that government spending cannot be curtailed immediately and pointed to the fact that the winning political party will have to view these expenditures in the light of the graduated reduction program. He pointed out that any attempt to reduce the spending by the government over-night would not only create added unemployment but would again plunge the nation into a period of maladjustment. Mr. Heimann pointed out that, although every business index gives evidence of improved situation, it cannot be said that all of the recovery is due to the natural forces, and that considerable of this business stimulation can be traced directly to the present expenditures by the Federal Government. He made it a point in his address that as this expenditure is reduced by the Government, the slack must be taken up by business or else we will have a return to a period of uncertainty.

Dayton Draws from 6 States for Big Meet

Dayton.—Credit Associations from Ohio, Indiana, Michigan, Kentucky, Pennsylvania, West Virginia, gathered here at the Miami Hotel on October 15th and 16th for one of the most impressive Regional Conferences held in the Central Western states during the past few years. The Dayton Association made an effort to score a hundred percent registration for this conference and did succeed in getting out 105 of its members for the conference session. Large delegations were on hand from the Associations in nearby Ohio points as well as Michigan, Indiana, Pennsylvania, Virginia and Kentucky.

Executive Manager Henry H. Heiman made the main address at the banquet on Thursday. His subject, "The Moral of '26—A Message for '36," presented a number of warnings on farewell business situations. The large crowd in attendance at the banquet were so well pleased with Mr. Heimann's address that they urged him to continue, but in view of the

DAYTON PREXY

H. E. Burns,
Who Directed Dayton Conference

program of entertainment arranged for the balance of the evening, his address closed promptly at the allotted time.

Major Albert W. Stevens was the speaker at the Friday Luncheon Meeting giving an account of the Stratosphere Flight made last October with Captain Anderson. A special plane was sent from Dayton to Chicago to bring Major Stevens to the city in time for the luncheon session.

Secretary Bouchard and President Burns of the Dayton Association are to be congratulated upon running the two-day program so as to have every number "click" on time.

200 Attend Big Conference at Oshkosh, Wisc.

Oshkosh.—Approximately 200 representatives of manufacturers and wholesalers in Wisconsin and upper Michigan met in this city on October 12th in a Regional Conference.

The principle speaker at the conference was National Executive Manager Henry H. Heimann, who spoke on new business problems. Other speakers were: F. J. Bury, Jr., president of the Milwaukee Association of Credit Men; Ray S. Shannon, Milwaukee, national director for Wisconsin; L. C. Hilgemann, president of the Milwaukee Board of Fire Underwriters; J. M. Conway, president of the Hoberg Paper Mills, Inc., Green Bay, Wis.; E. J. Dempsey, Oshkosh attorney, and C. H. Forward, Oshkosh, referee in bankruptcy.

R. M. Shekey, president of the Oshkosh Association, was in charge of arrangements for the conference here.

N Y Paint Men Hear of Retail Credit Program

New York.—J. Anton Hagios, Manager and Director of Credit Management Division and Bureau of Credit Research of The National Retail Dry Goods Association, was the guest speaker on October 13 and addressed the members of the New York Paint Group on "Credit Action in Retailing."

Each member at the meeting received several very interesting reports and exhibits on retail credit operations. Mr. Hagios included the following interesting subjects in his address:

Getting New Business on Your Books; Authorizing and Bookkeeping Problems; A Resultful Collection Follow-Up System That Retains Customer Good-Will; Methods of Liquidating Old Balances; Deferred payments and the Extension of Liberal Credit; The Value of Statistical Controls.

The meeting was well attended and the members learned some interesting facts on retail credit operations.

As usual, the ever active membership committee is always on the job with another new membership application—Elder & Jerks of Philadelphia, Pa. This makes the sixth new member application during the past 90 days.

Pump Priming Credit is Discussion Subject for Binghamton Session

Binghamton, N. Y.—Frank Knapp acted as discussion leader of the Forum held after the monthly dinner session on October 8th. The subject was "The Pump Priming Processes of Credit." Herbert Milligan presented an analysis of the economic flow of credit from basic industries to national income and demonstrated his ideas by means of an interesting chart. The general discussion of the subject followed the presentation by Mr. Milligan.

Southwestern Conference Is Big "C" Magnet

Houston, Texas.—The Southwestern Conference at the Rice Hotel here on October 19th drew a large attendance of credit executives from Dallas, Fort Worth, Waco, Austin, Oklahoma City, New Orleans and Shreveport.

Interchange service, National legislative program, Adjustments were discussed. Executive Manager Henry H. Heimann of New York presented the Expansion Program recently voted by the National Association. Delegates at the Conference were enthusiastic in their opinions of the new program and pledged their support toward the promotion of the program in their several Associations.

The attendance at this year's Southwestern Conference indicated a decided revival of interest among credit men in this area in the discussion of credit problems. The number of credit men from outside of Texas was an impressive feature.

Stationers, School, Office Supply Men Stay in Credit Congress Group

Because of an announcement which has seemed misleading to some of the members of the National Association of Credit Men, who have been cooperating in the stationery, school, office equipment and supply and allied groups of the National Association, we take occasion to announce that this national group will continue to function through the Credit Congress of Industry at the annual convention of our National Association and also through local groups at stated meetings throughout the year. Because of the misleading announcement mentioned above, some members have inquired at national headquarters if it is the plan to discontinue the group activity for this industry at our National convention and whether the other facilities for service of the National Association of Credit Men will be no longer available to this particular industry.

The National Association of Credit Men recognizes that this industry, like others, needs and must have a direct contact and alliance with other industries of the nation for credit purposes.

The facilities of Credit Interchange Service will be available to all of those companies in this or other industries who recognize the need for comprehensive exchange of information that is possible through their industry alone.

The services of the Association will continue to be available in all matters of rehabilitation, liquidation and the collection of accounts giving the industry direct immediate personal representation on the ground where desired.

The annual group meeting of this industry at the convention in Chicago will be held as heretofore. The National Association takes this means to assure the stationery industry that there will be no disruption or discontinuance of service to them through the National Association of Credit Men in any of its activities.

St. Paul "C" Men Disagree With Letter Humor

St. Paul.—"Credit News," issued by the St. Paul Association of Credit Men, carries a double column feature article in its October issue giving a digest of opinions expressed by credit executives relative to the article by Miss Mutnick of Detroit in her article in the April issue of CREDIT AND FINANCIAL MANAGEMENT.

It will be recalled that Miss Mutnick suggested that collection letters should be enlivened and even the use of slang or humor on occasion might be to the advantage of the letter. The St. Paul credit men seem to be unanimous in their opinion that Miss Mutnick was treading on rather slippery ground when she made such recommendation.

Most of the credit executives interviewed indicated that they thought collection letters should be for the most part held to strict business rules. The quotations presented in the "Credit News" article indicated a close study of the correspondence problems.

BANQUET AT DAYTON CONFERENCE: The gathering of credit men at Dayton on October 15th and 16 was an outstanding event in credit circles in the central area during the past month. This view taken at the banquet on October 16 indicates the measure of attendance. Dayton scored close to 100% attendance for the conference

Petroleum Men of Penn Field Pass 5th Year

Pittsburgh, Pa.—The fifth anniversary of the Petroleum Refiners' & Marketers' Credit Group was observed at a special meeting held late in September at the Conewango Valley Country Club at Warren, Pa. Representatives of thirty-three companies operating in the Western Pennsylvania district were represented at the meeting. The group now includes representatives of petroleum marketers in Cleveland, Chicago, Cincinnati, Philadelphia and New York, as well as those centering around the Western Pennsylvania area.

During the observance of this fifth anniversary by the Petroleum Group, T. M. Demarest, Treasurer of the Conewango Refining Company, and Vice Chairman of the Group in the course of his remarks covering the history of the group activities gave a glowing tribute to the part the National Association of Credit Men has played in the success of the group activity. Mr. Demarest pointed out that accumulative experience of all other trade groups affiliated with the various association units in NACM asisted in a general benefit to the Petroleum Group. He pointed out that the petroleum industry is a national industry and that while the benefits to members in the Western Pennsylvania field were of great value the larger benefits would come through a more extensive cooperation of the petroleum industry through similar groups throughout the country when they are affiliated through the National Association.

Louisville University Gives Credit Courses

Louisville. — The Louisville Credit Men's Association announces a series of credit forum meetings dealing with credit management in conjunction with the division of adult education at the University of Louisville. The first meeting in this series was held October 15th. The next session is slated for November 19th, when the subject will be "Analyzing a Financial Statement." On December 17th, the subject will be "Credit Information and Collection Methods."

ZEBRAFFAIRS

Seattle, Wash.—"Zebra Dues Are Now Due" is the announcement made in the October issue of Vigilanti, the monthly publication of the Seattle Association. The Super-Zeb informs the Seattle ROZ that to hold a membership in the famous order and attend the opening ceremonial of the year, every Zebra must get a new member of the Seattle Association.

Milwaukee.—The Milwaukee Herd of Zebras has announced a big card party and general round up of the ROZ at the Milwaukee Athletic Club on Friday night, November 13th. Table prizes, door prizes and other inducements are offered to promote this, the initial social event of the Milwaukee Herd. A Zebra bowling party each month is another feature of the social activities of the Milwaukee Herd.

New Orleans.—The Zebras of the New Orleans Association were hosts on October 30th at a boat ride on Steamer President. Several prospective Mules were guests at social function.

Detroit.—The Detroit Herd staged a golfing party on October 8th at the Beech Grove Country Club, located on the Canadian side of Lake St. Clair. The local herd is preparing for a big initiation ceremonial party in November.

The names of many Zebras are found in the roster of the National Membership Executive Committee, notable among whom are Grand Exalted Superzeb "Pa" Perkins, of Memphis, and Divizeb D. C. Campbell of Chicago, as well as Divizeb F. A. Cates of Los Angeles.

St. Paul.—The St. Paul Herd of Zebras held its first meeting of the Fall season at a big Pow-wow in the Commercial Club Rooms of the Grand Building on October 27th. Cards, dancing, stunts, a Dutch lunch, and a prize for the best costume were features of the evening. The program was under the direction of Chairman G. H. Haub, and a committee consisting of C. G. Stifter, H. T. Anderson, R. Lindholm, and W. H. Regan. A charge of 50c per person was made for the entertainment.

Richmond, Va. — David A. Weir, Assistant Executive Manager of the National Association, was the speaker at the monthly meeting of the Richmond Association held at the Commonwealth Club on October 22nd. Alvin Smith, who will be remembered by those who attended the National Convention at Richmond last June as the very efficient announcer, gave a rousing talk about the Zebras and received several promises from prospective members to produce the required new members for admission to R.O.Z. before Thanksgiving Day.

"What Price Security" Is Discussion Subject At Seattle Association

Seattle.—The October dinner meeting of the Seatle Association was addressed by C. E. Gates of the law firm of Bogle, Bogle & Gates on October 19th at the new Washington Hotel on the subject "What Price Security." Mr. Gates discussed the matter of insurance, especially life insurance, and its bearing upon security for the individual.

The Seattle Association is ready to take action on the new NACM Development Program undre the instruction of E. C. Gayman, now Credit Manager of the Sperry Flour Company of San Francisco. Mr. Gayman gave full details of the expansion program and received a hearty response.

CLASSIFIED ADS

Credit Manager with fifteen years' experience in foreign and domestic trade wishes connection. Full responsibility checking credits and collections. Also Accountant and Office Manager. Neat Executive type. Best recommendations. Reply Credit and Financial Management, Box. 3.

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CREDIT MAN

Young man who has had an unusual business training with well-known corporations desires position as Credit or Collection Manager. A thoroughly trained single man, 26 yrs. of age, excellent education. Plenty of initiative and tact. Capable of assuming full charge of office force, also capable of handling any correspondence that might arise in the modern organization. Excellent credentials as to character and qualifications. Write to Box No. 2, Credit and Financial Management, 1 Park Avenue, New York.

Paint, Varnish Groups Decide Credit Plans

(*Continued from page* 44)

Men, St. Louis, Mo.

The credit service program is based upon (1) cooperation between all of those in the paint, varnish and lacquer industry, (2) cooperation between that industry and other industries through the National Association of Credit Men and its Credit Interchange Bureau organization. Thus, the paint industry will have a plan which will permit of effective cooperation within the industry and coordination with and support of all activities, local and national, which have to do with the necessary inter-industry exchange of information and in matters of legislation, education, fraud prevention, etc., all of which are of vital interest to all industries.

Illustrative of the advantageous results accruing from the cooperative activities of previous years, Mr. Hamerin's Report contains the following figures on bad debt losses in the industrial division of the industry during the past three years:

Percentage of Losses to Industrial Sales, 1933—1.5666%.

Percentage of Losses to Industrial Sales, 1934—.5486%.

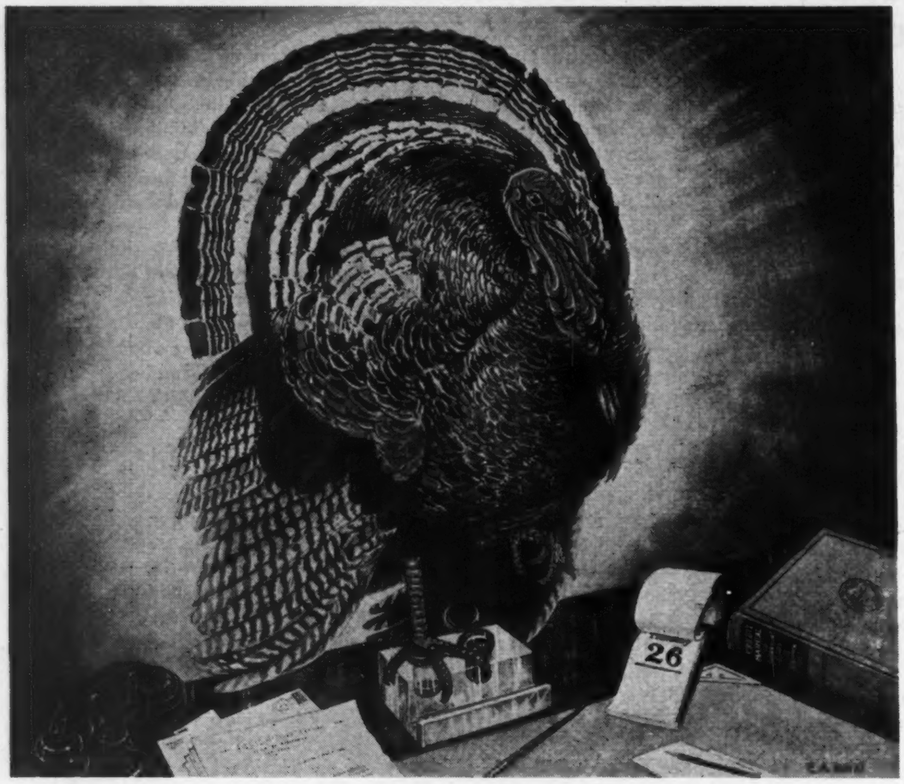
Percentage of Losses to Industrial Sales, 1935—.5301%.

The reduction in the percentage of loss is notable. Equally satisfactory results have been obtained in the handling of dealer, painter, and contractor accounts in markets where Paint Groups have been in operation. The chief effort of Mr. Hamerin's Committee during the year will be to expand activities so that every market and section of the country will have the same credit services available to them.

It is indicated that the National Committee will be further enlarged by the appointment of representation from other markets and sections not now fully represented.

MOTHER DIES

Boston. — Members of the Boston Credit Men's Association and other credit executives in the New England area were grieved to learn of the death at her home at Minneapolis, Minn., of the mother of J. M. Paul, Secretary of the Boston Association. Funeral for Mrs. Paul was held in Minneapolis on October 10th.



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To protect against losses—

To hold and develop profitable accounts.

To reach his objectives he must have facts—not recommendations, opinions, or instructions from others.

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